

## THE END OF EUROPEAN SOCIAL DEMOCRACY?<sup>1</sup>

RAINER HABERMEIER

### I. *Introduction*

Let us first briefly explain the words of the title. What does ‘end’ mean here? Certainly not execution by a firing squad of conservative hacks. ‘End’ should in this context mean: for the foreseeable future, the social democratic organizations will not gain a chance of governing or somehow else playing an indirect but significant role in governmental policies. And ‘social democracy’ should mean a political movement in favour of the vast majority of society, but not necessarily identical to parties bearing this name. There are social democratic parties that do not call themselves social democratic — and vice versa, parties that call themselves social democratic without being truly so. So first of all, we have to ask: what does social democracy properly mean? And by the way, what groups comprise the vast majority of society?

For convenience, let us take a conventional approach to social stratification, the common five-strata-model, which defines a social stratum or class by economic position (i.e. assets and income, occupation), by political position (i.e. degree of political participation, influence and knowledge), and by private life and cultural position (i.e. education, prestige and influence in private range, lifestyle and consumption patterns, cultural identity). Using these parameters, five main social strata usually have to be distinguished in developed modern societies (with regard to modernity, we attach priority to economic conditions, leave aside the numerous subdistinctions, and only very roughly estimate their average percentages)<sup>2</sup>:

(1) The **under class**: the permanently unemployed and disabled without means, the “working poor”, professional criminals with small booty, poor prostitutes and other outcasts, comprising 2-5% of the population in OECD countries at present.

(2) The **working class**: persons (and their families and retirees subsisting on a working-class income from pensions, family support, etc.) depending on income from their blue-collar, pink-collar and low-paid white-collar work, comprising about 75-80% of the population.

(3) The **old middle class**: well-doing farmers (and their families and retirees), self-employed craftsmen, small entrepreneurs and traditional professionals (lawyers, physicians, etc.), comprising about 8-10% of the population.

(4) The **new middle class**: persons (and their families and retirees) of high-paid white-

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<sup>1</sup> Slightly revised text of a lecture given at the ‘EU Institute in Japan’, Hitotsubashi University, on October 26, 2005.

<sup>2</sup> For recent discussions about stratification in late modernity, see R. Crompton, *Class and Stratification: an introduction to current debates*, Cambridge 1993; J.Pakulski, M.Waters, *The Death of Class*, London 1996; outstanding M. Hout et al., *The Persistence of Classes in Post-Industrial Societies*, *International Sociology*, Vol. 8, 1993, which draws upon a Weberian approach that “presenting more complex, multi-dimensional models of class does not imply that classes are dying”.

collar work and stable employment such as middle managers, technical and organizational specialists, comprising about 10-12% of the population.

(5) The **upper class**: persons (and their families) in upper management and upper state functions, and simply the rich, all together coming to less than 1%.

The percentages depend on the criteria for the classes, and criteria for the middle class are a notoriously controversial matter. Whatever criteria we apply, we cannot draw a clear borderline between the classes, of course. It is a matter of more or less. Further, some people live between classes; there is continuous upward/downward mobility between the under, working and middle class, and much less between the upper class and the others. This frequently proclaimed mobility is considered a distinguishing mark of modernity, the realists' compromise form of freedom that is one of the two fundamental ideas legitimizing modernity, and which compensates for the manifest lack of equality that is the other idea.

Now, we can make a preliminary attempt to explain the meaning of social democracy:

(1) Social democracy mainly has its supporters' reservoir in the working class, recruits its personnel of activists and functionaries out of this class and claims to represent the economic and political interests of this class, occasionally also its cultural interests. While this class is the proper social base of social democracy, it has sometimes not hesitated to also invite the neighbouring classes in order to broaden its base. The under class seems a natural ally, and so does, to a lesser degree, the lower layer of the middle class. Therefore, social democracy can claim to represent the interests of the overwhelming majority of the population — whether this claim was acknowledged by those whom social democracy wanted to represent is a different matter.<sup>3</sup>

(2) The cardinal goal of social democracy is to gain, let us say, decisively more political power and more income and welfare for the working class: decisive power to establish permanent progress that may lead beyond the contemporary forms of economic and social order. On the other hand, more freedom in social life and more chances of cultural self-expression are considered less important or even left aside. The main points are universal and equal suffrage and improving the standard of living. Other needs, i.e. sexual, narcissistic and aggressional needs, have not been recognized, are never discussed and never directed towards civilized satisfaction. But social democracy shares this shortcoming with many other political movements. It has been thoroughly criticized for it by psycho-analytical theorists, e.g. by some Frankfurtonians, from the twenties on, yet with no far-reaching effect. The latent irony in this indolence lies in the fact that the masses' non-material needs ignored or underestimated by social democracy turn to images and phantasms that seduce them into politics against their own needs.

It was a moot point from the beginning of social democracy whether to use its power to create a new society (socialism) or to constantly improve old society for the good of the people leaving the final goals indefinite. And the methods of this policy should be reform of the established social order, either by quick leaps or by incremental routine.

(3) Its organizational forms are centered around a political mass party, brimming with internal democracy where the masses are not only electing and directing the higher levels, but leading a big part of their life within the party organizations.

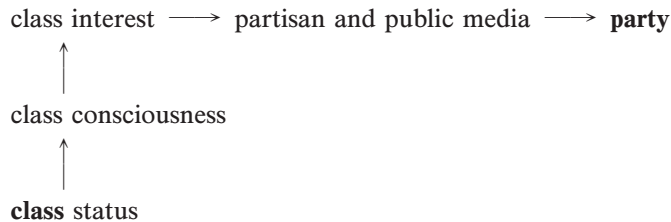
<sup>3</sup> H. Mommsen (ed.), *Sozialdemokratie zwischen Klassenbewegung und Volkspartei*, Frankfurt 1974, pp. 28-46. D. Lehnert, *Sozialdemokratie zwischen Protestbewegung und Regierungspartei 1848-1983*, Frankfurt 1983.

(4) Its allies are the non-political organizations of the working class, the economic and cultural organizations, especially the trade unions. In a wider radius, potential allies may be found among democratic parties of the middle class, especially of its lower layers. The adversaries of social democracy are, naturally, all organizations of the upper class and upper-middle class. A ticklish problem is raised by other parties also claiming to represent the working class such as anarchist and syndicalist, and communist and radical socialist parties — under most conditions, they are plain rivals, intruders or jack-o'-lanterns. However, there are situations where even the most up-right prigs among social democrats see a temporary necessity for alliance with these parties.

## II. *The Model of Class Party*

We seem to have attained a suitable definition of social democracy — and a question reminding us of our title inevitably arises: how can a party representing the vast majority of voters go under or only lose a democratically organized election? So, taking a closer look, we discover grave shortcomings in our definition. It is rigid and includes many simplifying assumptions. Yet for quite a long time, it was the model that social democracy adopted as the fundament for its policy, and this even with a more economic class concept or with a purely economic one such as the Marxist model.

It was the model we may call the class party model derived from its two polar units:



This model may have really worked for a while, especially in the early decades of the labour movement. But in the first half of the 20th century, the facts debunked it. It became more and more obvious that the vast majority had developed a rather differentiated consciousness. It showed different needs and diverse preferences, not just similar material needs all-over and some vague pride or self-respect to be easily satisfied by praising the working people. After the elementary needs for physical self-preservation were appeased, or even without their full appeasement, there was a strong desire for prestige and luxury consumption or, alternatively, for collective narcissism, above all, for nationalist intoxication and outlets of aggression. We can roughly distinguish two different types of societal structure as ways that the upper classes managed to keep this dangerous potential at bay — dangerous to the degree of bringing down the system of modern society.

The first type is the **Fordist** solution. Fordism is a term coined by French theorists of regimes of accumulation and modes of regulation in the seventies, and it means a certain form of capitalist society although it varies in different regional and national contexts. It is best summarized by B. Jessop:

“Fordism [...] can be analysed on four levels. As a distinctive type of labour process, it involves mass production based on moving assembly-line techniques operated with the semi-skilled labour of the mass worker. Not all branches nor workers will be directly involved in mass production in a Fordist economy, of course: the important point is that mass production is the main source of its dynamism. As a stable mode of macroeconomic growth, Fordism involves a virtuous circle of growth based on mass production, rising productivity based on economies of scale, rising incomes linked to productivity, increased mass demand due to rising wages, increased profits based on full utilisation of capacity, and increased investment in improved mass production equipment and techniques. As a mode of social and economic regulation, Fordism involves the separation of ownership and control in large corporations with a distinctive multi-divisional, decentralised organisation subject to central controls; monopoly pricing; union recognition and collective bargaining; wages indexed to productivity growth and retail price inflation; and monetary emission and credit policies orientated to securing effective aggregate demand. In this context the key wage bargains will be struck in the mass production industries; the going rate will then spread through comparability claims among the employed and through the indexation of welfare benefits financed through progressive taxation for those not economically active. This pattern need not mean the demise of dual labour markets or non-unionised firms or sectors as long as mass demand rises in line with productivity. And, fourthly, Fordism can be seen as a general pattern of social organisation. In this context it involves the consumption of standardised, mass commodities in nuclear family households and provision of standardised, collective goods and services by the bureaucratic state. The latter also has a key role in managing the conflicts between capital and labour over both the individual and social wage. These latter features are clearly linked to the rise of Keynesian economic management and the universalist welfare state but neither element is essential for the growth of Fordism.”<sup>4</sup>

The other, less hilarious type of solution is **totalitarianism**. This term arose in the twenties and was brought into scientific use by H. Arendt and C. J. Friedrichs. As the concept is widely used in social and political science, I need not define it. I just summarise a few features in contrast with the Fordist way. It is a society and economy

- also with the application of advanced technology to production and
- Taylorized mass production but with priority on military and related goods,
- compulsory employer-employee organizations and relatively low salary levels,
- mass welfare systems of low grade,
- state planning of a warfare economy,
- permanent paramilitary mobilization of the masses for idolized leaders, an authoritarian party entangled in the state administration,
- violent suppression of democracy and political liberalism, deeply penetrating control of allday-life,
- diversion of mass discontent and aggression towards minorities and foreign countries, and
- military expansionism.

We may call the first type the **commercial-consumerist way of mass contentment** under primarily economic oligarchies, and the second type, with regard to S. Freud’s socio-

<sup>4</sup> B. Jessop, Thatcherism and Flexibility: the white heat of a post-Fordism revolution. In B. Jessop et al. (eds.), *The Politics of Flexibility*, Aldershot 1991, pp. 136-7. For a thorough discussion of the regulation approach (Fordism vs. Post-Fordism, etc.), see B.Mahnkopf (ed.), *Der gewendete Kapitalismus*, Münster 1988.

psychology, the **neoreligious-military way** under primarily political oligarchies.<sup>5</sup> Thus, a road of two competing lanes characterizes the history of modernity in the 20th century because modern society has two systems of functional power, the capitalist market economy and the bureaucratic state administration.

Next, let us deal with the second instance in the class party model, the communication media. It turned out that the media were heavily one-sided or one-directional. The masses were only receivers, not also producers of information. And it soon grew into highly specialized organizations with their own interests, of course, and its costs became increasingly bigger and more prohibitive for new-comers. The media fell prey to big capital, and any attempt by the masses to influence the established media, e.g. to enforce a two-directional-communication or to set up new media of similar reach has been doomed to fail. Non-profit ways of mass communication such as clubs, associations, neighbourhoods and peer groups have not kept up the pace of efficiency and attractiveness displayed by the professional media. Nowadays, the important mass media are all in the hands of private capital or state bureaucracies.<sup>6</sup>

A likewise disenchanting outcome marks the social democratic parties themselves, the other polar unit in our model. I do not want to repeat well-known theories and well-stated facts of the bureaucratization and oligarchization of democratic organizations. Political and social science has fiddled with this subject since Mosca and Pareto, Michels and Weber or the Webbs. No-one except the paid naive, perhaps in state TV, harbours any illusions about the democratic structure of any mass party, let alone a social democratic party. Its higher functionaries pursue their own interests in the first place, which means often they aim at being co-opted to the capital or state oligarchies. Nevertheless, as parties are the only organizational form for democratic policy, we have to accept them and cope with these tendencies. Retreating to traditional culture (religion and arts) or to private life for conspicuous consumption seems to be the only — and dangerously stupid — alternative to politics.

### III. *The Conditions of the Classical Phase of Social Democracy*

As we see the failure of the old model of social democratic policy, let us turn to another approach to explain social democracy: we will make a short excursion into history or, better to say, into an evolutionized history. We can distinguish four phases in the development of social democracy up to its present situation of seemingly impending ruin<sup>7</sup>:

(1) In the first phase starting in the middle of 19th century, the labour movement rose to a cluster of political, economic and cultural organizations aiming at a revolutionary transformation of the capitalist economy and bourgeois-dominated society into socialism or communism, i.e. a democratically planned economy and an extremely egalitarian society. Its main

<sup>5</sup> S. Freud, *Massenpsychologie und Ich-Analyse*, 1921.

<sup>6</sup> In his magisterial work 'Strukturwandel der Öffentlichkeit', Neuwied 1962, revised edition Frankfurt 1990, Habermas called this situation a refeudalized public. The fragmented and soon failing development of a plebeian and later proletarian public on the one hand and on the other, the pertinacious traditions of popular revolt veiled in excessive feasting are traced by O. Negt, A. Kluge, *Erfahrung und Öffentlichkeit*, Frankfurt 1972; J. Heers: *Vom Mummenschanz zum Machttheater*, Frankfurt 1986.

<sup>7</sup> cf. D. Lehnert, op.cit., who distinguishes five chapters according to the parties' program, organisation and supporting electorate.

method was unadorned class struggle.

(2) In the second phase starting with the split of the labour movement into a communist and a social democratic movement during the First World War, the social democratic parties took part in governments and succeeded in reforming the capitalist societies into low-degree democracies with low-degree welfare states. This was viewed as a first step in the direction of socialism. But the upper classes regarded this as a step too far, and in those countries where it could not be diverted to Fordism, they helped fascist movements to power. The dire remainder of the story is well known.

(3) The third phase started after the Second World War, after the fascist and expansionist states were smashed. It started with the so-called reconstruction boom. I would like to call this the **classical** phase of social democracy. At present, it is about to run out, with its last chapter appearing to come to an end. Let us investigate the classical phase a little more closely. Its main conditions are:

(1) About three decades of relatively high economic growth caused by the rising tide of a Kondratieff wave. It was the 'Golden Age' of late capitalism, as viewed from hindsight. We should not conceal that the whole theory of Kondratieff waves (or of long waves) is rather controversial. There are many economists who flatly deny that anything like a Kondratieff wave has rolled through economies. Nevertheless, we follow the Schumpeterians, theorists of world systems and of Fordism, and we take it into account. The fourth Kondratieff wave was carried by electro-mechanical technologies, petroleum and petrochemicals as basic sources of cheap energy and cheap materials, standardization and scale economies in mass-consumption industries, oligopolistic competition, vertically integrated and hierarchically governed corporations, relatively high and stable wages for mass luxury consumption of which the present-day and maybe last goody is the mobile phone.<sup>8</sup>

The second reason for the long growth period was the end of the war that had devastated vast regions in Europe and East Asia, and this end got the so-called reconstruction boom under way facilitated by the US-American Marshall Plan. In Japan, it was rather another war, a war in the vicinity for which Japan served as a giant repair and catering base, the Korean War, also creating higher demand for armament goods in Western Europe.<sup>9</sup>

The third reason for the post-war growth period can be found in the huge pool of cheap labour abounding with refugees and migrants displaced by war but also with women who more than after the First World War flocked into the labour market.

Also not to be forgotten, and this should be the fourth reason, is the long-lasting process in which the non-capitalist sectors of the economy were penetrated by capitalist market forces. Here, we should emphasize production and distribution in the family household, in agriculture, handicraft and the retail trade. These spheres offered capitalism new opportunities for many years after they had been opened by political measures or economic incentives. And these capitalist transformations successively set manpower free and thus kept pressure on

<sup>8</sup> G. Arrighi, *The Long Twentieth Century*, London 1994; R. Albritton et al. (eds.), *Phases of Capitalist Development*, New York 2001. About the theory of long waves, see T.Vasko (ed.), *The Long Wave Debate*, Berlin 1985; G.Dosi et al. (eds.), *Technical Change and Economic Theory*, London 1988, esp. C.Freeman, C. Perez, *Structural Crisis of Adjustment*; A.Kleinknecht, E.Mandel, I.Wallerstein (eds.), *New Findings in Long-Wave Research*, New York 1992; C.Freeman (ed.), *Long Wave Theory*, Cheltenham 1996.

<sup>9</sup> J. Hirsch, *Herrschaft, Hegemonie und politische Alternativen*, Hamburg 2002; G.Therborn, *European Modernity and Beyond*, London 1995, esp. chap. 7.

wages.<sup>10</sup>

(2) The second condition of classical social democracy was the above-mentioned system of Fordism combined with Keynesian economic policy. It softened the common cycle of boom and bust that capitalism used to run through in four- or five-year periods since the 19th century. The notorious business cycle became an alternation of booms and rather flat recessions instead of crises. The outcome of Keynesian constant creation of demand by the state was full employment but with medium inflation.<sup>11</sup>

An integral factor of the Fordist-Keynesian system also was the national size and seat of the big enterprises, the oligopolistic corporations. Although external trade mounted to between 30 and 40% e.g. of the West German economy and many corporations were among the dominant players in the global markets, the size of almost all corporations was mainly tailored to cover the national home markets. Their production sites and sales were concentrated on these markets. Certainly, many corporations became transnational, but not international or multinational as they are nowadays. Therefore, it was not difficult for the government of their nation states and for the national trade unions to meet them on the same level of power and leverage. The members of their boards had a more or less reliable feeling of nationality and of a certain responsibility for the common good of their nations.

(3) For the third condition, we have to look beyond the nation state. The Second World War brought about three fundamental changes in the central regions of international relations. It decided the global power struggle in favour of the USA definitively replacing a long-declining Britain as the global hegemon. Further, the two other contenders for supremacy, Germany and Japan, were totally defeated, but soon integrated as junior partners (Germany only for her Western part) in the US-American hegemony. And finally, the communist Soviet Union rose to global power status and became the new rival of the USA. The subsequent Cold War reduced F. Roosevelt's counter-stroke against communism, his grand vision of "one world" of human rights and welfare for everyone, to Truman's more realistic doctrine of a "free world" whose main goals were the containment of Soviet expansion and US-American control over global markets and military power. Yet the two systems had to stiffly compete with each other, hence the hegemons had to grant some benefits to their juniors and followers in order to keep them in their camp. It has been widely noted that, in contrast to the British hegemony, the USA, in spite of its intense rhetoric of free market, never opened its markets to foreign competitors broadly until the seventies. Within this frame, it had to

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<sup>10</sup> cf. J. Fourastié's groundbreaking work after the Second World War, 'Le grand espoir du XXe siècle', Paris 1949; B. Lutz: *Der kurze Traum der immerwährenden Prosperität*, Frankfurt 1984.

<sup>11</sup> A. Amin (ed.), *Post-Fordism*, Oxford 1994, esp. part III; E. Altvater, B. Mahnkopf, *Grenzen der Globalisierung*, Münster 1996, IV. Teil. Marxists usually consider Keynesianism an ideological theory of economic policy: "The apparent success of Keynesianism in the period of high economic growth needs another type of explanation, an explanation 'from below', within the dynamism of capital accumulation. To this end, the French Regulation School presented the model of the Fordist regime of accumulation, which emphasized the rise in real wages in line with the increase in productivity by means of an explicit or implicit capital-labour accord. This was an effective critique of Keynesianism and an important contribution to the clarification of the basic logic of capitalist development in this period. This model of Fordism accords with social democracy in highlighting the effective role of trade unions and the supplemental role of welfare state policies for economic growth." (Makoto Itoh, *Spiral Reversal of Capitalist Development*, in: R. Albritton et al. (eds.), *Phases of Capitalist Development*, New York 2001, pp.115-6); cf. S. Clarke, *Keynesianism, Monetarism and the Crisis of the State*, Cheltenham 1988; L. Pasetti, B. Schefold (eds.), *The Impact of Keynes on Economics in the 20th Century*, Aldershot 1999.

concede certain accesses to its markets for its important followers in order that their economies continue to grow and to prevent higher unemployment. Another concession — the decisive concession, I would like to say — of USA-led capitalism was the albeit reluctant acceptance of social democracy as long as its leaders repetitively drew a clear-cut line between social democracy and communism. The Cold War facing the inimical social order just beyond the next border inside Germany made it necessary for capitalist Europe to install an uncontended democracy and to permanently comply with compromises with the working class.<sup>12</sup>

(4) Another important condition in international relations was the continuing position of the centres and their peripheries. Certainly, the centre position shifted away from Europe to North America and Russia, whereas Europe descended to a subcentre or even client position (or satellite in the Soviet realm). European colonialism had to give up its prey step by step and set it free, also under ideological pressure by the Soviet Union and guerrilla uprisings supported by her here and there. But the centre remained in the northern regions, and the South that emerged since decolonization in the fifties and sixties under the name of the Third World remained in a semi-colonial condition often called neo-colonial because the new states were indeed formally sovereign but militarily, economically and culturally, they continued to depend on their former masters and their masters' allies. In particular, the economic development was more or less a sham, the much-celebrated foreign aid given by developed countries for the greatest part only subsidizing exports from the donors, etc. Today, we cannot ignore that forty years of FDA has created as good as nothing or even the opposite of development and progress: stagnation and regress — for the Third World, but not for the northern economies. They used the peripheral position of these countries for trade on unequal terms and greatly benefited from the Third World markets. It was a mainstay of their long-lasting economic growth.<sup>13</sup>

(5) Now, after having listed these major conditions, let us turn to some less spectacular conditions that nevertheless deserve our attention because their shrinking and disappearance plays an important role later. What we have first to consider is the structure of motivation in the working class, of their needs and their political as well as private behaviour. That is a pretty wide field, of course, so we have to concentrate on a few essential aspects. The structure of mind from which the needs and, what is nowadays called identity, result is not a simple matter of nature. Natural instincts are processed during primary socialization by social and cultural patterns. The main institutions and systems forming the current needs and identity are, besides the socialisatory collectives in childhood and adolescence, the personal opinion leaders and the general societal processes and trends at present. This all together makes a complex cluster of interdependencies, and as far as we can recognize, in the third

<sup>12</sup> For a pithy overview, see P. Gowan, *The Global Gamble. Washington's Faustian Bid for World Dominance*, London 1999, pp. 8-38.

<sup>13</sup> The paradigm for research and proclamations about Third World countries in this era was the influential modernization theory created in the forties and fifties out of the storehouse of diverse social system and economic growth theories, above all of T. Parsons and W. Rostow, in order to contain Marxism in the non-aligned countries. It was severely contested by several approaches on the left, especially by the dependency school of P. Baran and A. G. Frank, which tried to demonstrate that the world centre (developed countries) keeps the periphery (developing countries) in technological and economic retardation. Therefore, the latter countries should disconnect from global markets and pursue a strategy of import substitution, development of their internal markets and state-centred financial systems. The next act in this global drama was the neoliberal rollback started by the Reagan Administration with the Baker Plan in 1985.



phase of social democracy, the working class's needs and identity were not yet much differentiated. It is sufficiently justified to view them on a scale of more or less authoritarianism cleft by confessional and political traditions. So ignoring the cleavages and the small radical fringes, we see a rather homogeneous mass of earners and consumers who have to a high degree adopted the middle-class attitude of acquisitiveness and possessiveness. However, the then attitudes of acquiring and possessing consumer goods were still far from the unfettered consumerism of late because they were based on and therefore restricted by the authoritarian work morale (and, of course, by the small budget for surplus consumption derived from their low income).

This is a prevailing feature of the classical phase: **the precarious balance of consumerism and authoritarianism**. With regard to this point, we can easily understand the characteristics of the classical phase mirrored in sociological catch phrases of that time such as 'middle-class society', 'end of ideology', 'political apathy', 'mass culture', etc., on the one hand and on the other hand, the general mood of nihilistic rebellion among the intellectual youth and writers. While the blue-collar worker blissfully bought a 'beetle car', the student of humanities cherished Sartre's existentialism. Thus, everyone lived in the best of all possible worlds or near-by.

(6) The last of these conditions that we take into consideration here is the multifaceted sphere of public communication (which is an essential or maybe even the very essential of democracy). From the fifties well into the seventies, there was still a great number of media and floors of communication. On the lowest floor, information flowed between persons of primary groups such as families, neighbourhoods, town quarters, and factory and office sections; there, mostly informal organizations of the labour movement had taken root long before and their agents and representants ruled the roost naturally. On the next floor, the information channels of trade unions and working-class clubs fed a likewise informal, but more refined and better informed public. On a higher floor, we would find the formal media of labour parties and trade unions principally addressed to their members and sympathizers but also easily accessible to other readers. And finally, on the highest floor, i.e. in the general public sphere of society, there was a plurality of non-partisan, independent media with diverse facets, directions and values. Regular TV broadcasting started in the late fifties, and its reception spread in the sixties; it was public TV, state-controlled, and, by law, had to give voice to a certain range of political views, mostly those promoted by the parties represented in parliament, and therefore also regularly expressed social democratic views. At that time, TV was not yet the beginning of the end of media plurality. It was just a new, admittedly striking and attractive, type of medium combining radio and film in addition to oral and print media.

#### IV. *The Structure of Classical Social Democracy*

Now, after our enumeration of conditions, we are prepared to understand the structure of classical social democracy:

(1) The most outstanding feature was that it gave up socialism as a goal of policy; some social democratic parties even buried it explicitly as an out-dated utopia. Seen at that time, it was the secular step from an idealism of equality and of egalitarian justice to the realism of mass welfare and domesticated capitalism, a step **from latent religion and ethics to functional-**

**ist technocracy.** Social democracy parachuted from a **political** ideal in a utopian future to **economic** redistribution within the established system.<sup>14</sup>

(2) The principle of social democratic policy was **incrementalist reformism**, i.e. a policy aimed at reaping slowly but incessantly more and more economic benefits for the working class such as higher pay, shorter working hours, longer paid vacations, better insurance against sickness and disability, and free secondary and tertiary education. Most were institutionalized in public systems (the welfare state) such as social insurances partly state-controlled, partly controlled by labour organizations. Other benefits obtained legal status by formal contracts between unions and employers. The unions were acknowledged to be a kind of half-public authority and approved by the state: the German 'Tarifpartnerschaft' (i.e. partnership of unions and employers in negotiating wage scales) constituted a whole section of laws of its own. The co-operation between social democratic parties and trade unions was certainly not as tight and matter of course as in the previous phases, when the two organizations, party and trade unions, acted in a harmonious division of labour, one devoted to political tasks, the other to economic tasks. But co-operation was still close, permanent and taken for granted. Judging by quantification, we may rank this classical phase developed in Austria, Benelux, Britain, France, West Germany, Switzerland and most in the Scandinavian countries as welfare state of high degree and democracy of middle degree. The latter judgement draws on the facts that democracy was not established in the economy beyond the level defined by the famous West German system of 'Mitbestimmung' (co-determination), that political democracy lacked almost all direct involvement and participation of the working class, and that in culture, the values and forms of traditional so-called high culture and of so-called pop culture still prevailed without challenge. The working class was not culturally active at all but only receptive: paying receivers of commercially produced culture. Seen altogether, it was a well functioning liberal (in the European meaning) representative democracy with no direct participation of the masses, but with a highly authoritarian status for their representants in parliaments and administrations.

(3) Now coming to the last feature, we have to mention the internal structure of social democratic parties. In this classical phase, they were shedding their old identity as class parties and they renounced their class base in the proletariat explicitly. The German party e.g. called itself 'Volkspartei' (i.e. People's Party). Connected to this, the parties also changed their social composition: fewer and fewer members and functionaries belonged to or came from the working class, but more and more had a middle-class or even upper-class background. No wonder — for this change mirrored a new and accelerating phase in the age-old process of bureaucratization not only within the parties but also in the political system at large. The parties did away with the rest of an originally vivid party democracy where orders and information moved from below to above. The new and often academically educated bureaucrats secured salaries, power and prestige according to their educational level, thus rising to the ranks of the middle class, while some who held high state office even joined the upper class.

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<sup>14</sup> This formula, similar versions of which can be found throughout historical research, may serve to condense the usually lengthy explanations of the subject; cf. G. Moschonas, *La social-démocratie de 1945 à nos jours*, Monchrestien 1994, part III.

## V. *How and Why Has the Classical Phase of Social Democracy Ended?*

In the seventies, this comfortable system of classical social democracy lapsed into numerous crises, especially economic and political crises, but also, for the first time in history, into environmental crises of large scale. How so?

(1) The motors of economic growth stuttered and stalled. The Kondratieff wave had surged beyond its peak, the reconstruction was more than completed, and the Korean War boom had run out long before, the not-yet-penetrated fields of economy shrank towards nil — in short, economic stagnation crept up almost everywhere and in the sequel, unemployment.<sup>15</sup>

(2) The Fordist-Keynesian regulation created a high level of lasting inflation because the crises of the business cycles that formerly deflated prices were missing. Keynesian policy and social welfare provided constantly high demand without much intermission. The state dived into greater and greater public debt in order to pay for Keynesian policy and welfare on the one hand, and to subsidize corporations and repair ailing sectors of the economy on the other. Welfare costs were rising steeply because the age pyramid of the population tended to invert due to increasing longevity and decreasing fertility in the wake of consumerism. The non-working population soared because of unemployment, old age or disability. Thus, economic stagnation was joined by inflation, and a new buzzword circulated in the mass media: **stagflation**. The monetary assets of the upper and middle classes were under threat of devaluation, and financial capital hit below the belt by stagflation did not like this at all, of course.

(3) In the seventies, the US-American hegemony also began to slide into crisis. Its balance of trade and payments became negative, its industries lost out to its junior allies, especially Japan and West Germany. The USA tried to weaken these competitors by lowering the dollar value and, for a drastic cure, by two steep hikes of the oil price (the so-called oil crises of 1973 and 1979), which channeled the petrodollar floods earned by the US-American and Arabian oil companies into the superior financial system of the USA, whereas the higher energy price should blunt the competitive edge of the juniors who totally depended, unlike the USA, on oil imports. Yet Japan and, a little less smoothly, West Germany overcame these blows, and in the eighties, the hegemonial crisis worsened. In 1984, the USA finally gave up the Rooseveltian Bretton Woods regime, and in 1985, the Plaza Accord brought down the dollar price. Supremacy definitively shifted from Keynesian-spirited productive capital to rentier-minded financial capital. Japan reacted with the *baburu keizai*, a sectoral inflation to create easy money and equivalent demand. The more export-dependent West Germany somehow went on limping along under the burden of the cheap dollar, and her welfare systems showed the first scratches and cracks. In the meanwhile, the Reagan Administration started the second Cold War with the open intention to play out one of its last grand cards, its unchallenged superiority in armament and military high tech. After being lured into this fatal race and already before entering competition in private consumption, the Soviet system rapidly deteriorated and broke apart around 1990. In spite of this glorious victory, “the new world order”, the “Washington

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<sup>15</sup> The end of “normal” growth in the seventies triggered a flood of literature comparable to the trail of the modernization paradigm. As an example of the frequent attempt to save social democratic technocracy by combining it with neoliberalism, see F. Scharpf, *Crisis and Choice in European Social Democracy* (translated from German), Ithaca 1991; the author was the leading right-wing theorist of SPD (Social Democratic Party of Germany) in the seventies and eighties.

Consensus”, etc. the hegemonial crisis continued or, depending on one’s view, soon started again. The USA now cancelled concessions and raised the pressure on its allies, e.g. demanded the dissolution of the Japanese and German economic networks that had successfully fended off invasions of US-American speculative capital. Therefore, European capital had much less room for compromise with its working class. Increasingly measured by its current stock prices, it had to show returns on invested capital equal to those in the USA.<sup>16</sup>

In connection with this, the demise of the Soviet system unleashed capitalism from its self-constraints imposed by the competing social system. Communism as a competitor had gone, so the compromises with the working class became superfluous and useless. Suddenly, the costs for unionized labour and for the welfare state seemed way too high. Social democracy and trade unions became bothersome hurdles on the path to further modernization that in the nineties began to be dubbed ‘globalization’.

While in the USA, the primary ranks shifted from industrial to financial capital or, to express it geographically, from Detroit to Wall Street, the Fordist-Keynesian states in Europe were deprived of a considerable slice of their economic sovereignty by the frenetic dances that unfettered speculative capital enjoyed around the globe. Under pressure from shareholder value slogans spread by agencies of financial capital, industrial capital step by step joined the globalization game and outsourced growing parts of its production. The working class in the social-democratized countries were the losers — but also so were soon the major layers of the middle class.

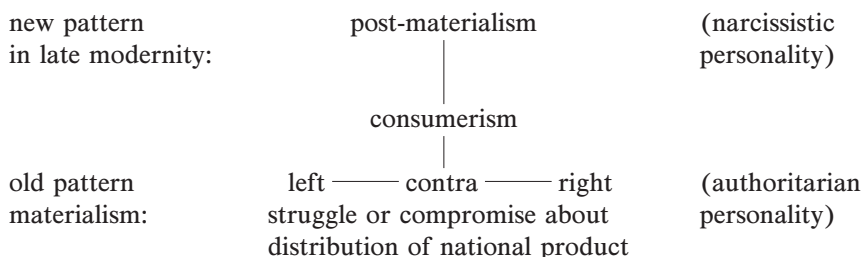
(4) The other important change in the international field was the emergence of NICs (or NIEs because of Taiwan), mostly in East and South Asia, partially under the leadership of Japan, partially due to the transition of China from communism to capitalism. East and South Asia rose to the status of a new centre of the global economy. A major part of economic and political power shifted from North America and West Europe to this region. Its wages and taxes were much lower than those in the old centres, with the big exception of Japan. This shift of competitiveness to Asian NICs added, of course, to the pressure on wages and taxes in the social-democratized countries of Europe. In Japan, too, by the way — in both centres, it triggered the waves of restructuring and deregulation we have been living through since the nineties, and its effects of high unemployment and sinking average income.

(5) We must not pass over an important tendency inside European countries that provides a clue to understanding the political change in Europe (as well as in Japan and North America). This tendency was first sighted by social science around 1970, in the wake of the youth protests of the late sixties. It was called **post-materialism** because it replaced or even thrust aside the ethics of materialism that had taken the forms of possessivism and labourism, which demand that the main drives in life be zeal for property and acquisition, respectively the work ethics famously described by M. Weber a century ago. Instead of these parental morals, the young generations turned from accumulation to consumerism and to post-materialism. Among the reasons for this fundamental change — a systematic enumeration of reasons is beyond our field now — we just point at advanced capitalist productivity, material affluency a big slice of which social democracy redistributed to the working class and, what J. Habermas emphasized, the internal logic of cultural rationalization leading to sexual emancipation and weakening of authority.<sup>17</sup> It was a very complicated constellation, but

<sup>16</sup> P. Gowan, op.cit., part II.

<sup>17</sup> J. Habermas, *Legitimationsprobleme im Spätkapitalismus*, Frankfurt 1973, pp. 106-28.

whatever reasons else, we go on to a simple but hopefully illuminating dual-axis diagram provided by R. Inglehart (which I have modified a little and added some items to)<sup>18</sup>:



We cannot here avoid the question: what is post-materialism? Most younger people no longer high on the authoritarianism scale left the old pattern behind and advanced to consumerism. They dived into narcissistic consumption of prestige goods and luxury services. But others went further, went beyond consumerism to political activism: they formed or joined movements for environmental protection, feminism, human rights, multiculturalism, the gay movement, etc. These were the NSMs (New Social Movements), a preferred topic for social research in the seventies and eighties. Or they revolted out of radical participatory democracy against the ‘establishment’ — one important source of the ‘New Left’, also famous in these decades. Another aspect of post-materialism comes up as retreat from politics or social life entirely to life reform such as total dieting, or retreat to primitive farming or to total psychotherapy and neoreligious sects. From here, it is only a short step to regression into drug subcultures. The increasing consumption of intoxicating drugs is just a phenomenon of post-materialism as is the multiplying of grassroots associations for organically grown food. So far, subcultures revelling in forbidden drugs cannot match the established cultures consuming permitted drugs such as alcohol and tobacco in size or fatalities in spite of the startling noise about them in the mass media. However, their increase has not slowed down.

In the seventies and eighties, post-materialism spread so vigorously that the old patterns of materialist strife and struggle seemed to fade away with the senior generation. It was a sparkling era when French philosophers created post-modernism, and many other post-such-and-such things circulated in academia first and then in the media. Closer to reality, I think, came the term “late modernity”, emerging in about 1990, e.g. in A. Giddens’ works.

Taken altogether, consumerism and post-materialism had some effects that were not to the liking of the upper class. Many luxury goods and ostentatious areas reserved for the rich and powerful lost their splendour because post-materialism made them an object of ridicule or contempt. Yet a much more serious effect was the dwindling motivation for normal work and consumption among the working- and middle-class youth. The near future appeared to bring with it a plain lack of the morale necessary to sustain the capitalist and bureaucratic systems. Faced with this perspective, the economic and state oligarchies decided to take comprehensive measures to save the young generation, which was about to desert its functional roles of working and purchasing. The device was: affluency must be cut back in order to re-establish pre-postmaterialist morale.

<sup>18</sup> R. Inglehart, *The Silent Revolution*, Princeton 1977, p.46; idem, *Modernization and Postmodernization*, Princeton 1997, *passim*.

(6) Just a few words about the structure of the public sphere. Previously, we said that the classic phase of social democracy still enjoyed a great diversity of ways to publicly communicate, with and without formal media. Beginning in the seventies, this vivid scenery changed, partly slowly with regard to the informal media, partly quickly with regard to the formal media. Urban consumerism increasingly dissolved primary groups such as family, neighbourhood, local sports club, etc. Under both political and economic pressure, the social democratic parties shut down their newspapers within a couple of years. Capital concentration absorbed numerous other print media and moulded a few oligopoles out of them. A few giant media corporations control the public sphere nowadays — a strange picture for democracy indeed. Worst of all, TV became ubiquitous by public and private stations, but here, private means TV owned and operated by media corporations, not by working- or middle-class people. I do not want to delve into the contents of TV here; I only point at the sociopsychological effects of watching TV. After decades of research, psychology knows that watching TV for only two or three hours a day renders the watcher stupid, frustrated and aggressive — there is no doubt about it any more. TV also isolates the silent watcher and impairs his verbal and communicative abilities, e.g. the ability to listen attentively and respond while sticking to the point, and the ability to discuss inclusively rather than impatiently and aggressively. These are all abilities we need for democratic activity. A frequent TV-watcher loses them; a couch potato is the opposite of a democratically active citizen.

(7) The last point on this list refers to the internal structure of the social democratic parties themselves. As we outlined a little while ago, the social democratic parties, like every party, became more and more bureaucratized, some lost even their democratic character entirely and decayed into a realm for oligarchies. Quite a normal process according to social science, especially the Weber School — yet with regard to the ideas of social democracy, one could expect a somehow different development. The party had changed from a class party to a ‘people’s party’, and now it became a sort of mindset party or identity party, its core occupied by a bureaucracy issuing advertisement slogans in order to win elections.

## VI. *The Fourth or Present Phase of Social Democracy*

At present, the situation looks rather hopeless for the social democratic movement — it looks like the final phase. The grandiose vision of the Great Society or of the Just Social Order or the Good Life For All has withered away, and instead, a row of depressing facts is staring in the face of social democrats. I just specify a few:

(1) The percentage of votes for social democracy is again sinking. In Germany’s last federal election, SPD won about 34% only, a dismal result equal to that in 1990, one of the poorest since 1957. Yes, the newly formed leftist alliance with a traditional social democratic program, “Die Linke”, got more than 8%. So it adds up to 42%, plus votes for the left wing of the Greens, together about 47%. This is not so bad, but definitely not the vast majority. Besides, SPD and Linke are deeply estranged, they refuse to cooperate, and their leaders do not even speak with each other. SPD now has to form a coalition government with the conservatives.

But is Britain’s New Labour not doing much better? The party is governing — in the last Lower House election with a turnout of only 61.4% however, Labour won just 36%, i.e. 22%

of the total population entitled to vote.

In France, the once high-flying PSF has been weakened to sterile opposition and is about to split left around L. Fabius and right around D. Strauss-Kahn. In Italy, things hardly look better for the shaky alliance fluctuating around Prodi. The Swedish left coalition was swept out of government in the elections of last September. In Spain, a social democratic party is at the helm due to a small majority, but this is a chapter about very divergent, country-specific conditions — a voluminous chapter we cannot open here.

(2) Class voting is in undeniable decline. In a small country outside of EU, e.g. Norway, the working-class vote was 77% in 1957 and 51% in 2001 (results of the recent election have not yet been analysed). In a big country inside EU, Germany, social democracy got 56% of (then West German) working-class votes in 1961, but only 45% in 2002 (then unified Germany). Results of the September election are not taken in account, but I have to add a few remarks: (a) in the eighties, the Greens emerged, another party generally viewed as left-oriented at that time, (b) Germany's reunification brought along a third left-oriented party, successor to the defunct communist party of East Germany. The appearance of two new challengers, one on the left side and one on the right side of SPD, has reaped a percentage of the working-class vote from SPD. (c) In the third and fourth phase of social democracy, SPD has stood out among European social democratic parties for its relatively high share of the new middle-class vote — a rather volatile social stratum.

(3) Membership numbers are also in decline (also in conservative parties, by the way). General political apathy and discontent is diminishing participants' numbers everywhere, but social democratic parties need active members much more than their adversaries do. The same has to be said about trade unions. The percentage of unionization has never been as low as currently. The rate in EU countries has sunk to below 30%.

(4) Most social democratic (or "socialist") parties that still bear this name proudly because of tradition have abandoned social democratic goals, programs and policies like the British or Spanish parties. Or they are about to split like French social democracy or have already split like German social democracy. The left wing persists in hoisting the classical program, whereas the right wing, usually carrying along the majority of members and the organisational structure, turns to various compromises with neo-liberalism — what is called the "Third Way" by following the British trail blazers. "The classical program seems to become as outmoded as the erstwhile idea of communism formerly. The welfare state should survive on the third way only in pygmy size, and full employment is undergoing a mutation to sham self-employment, part-time employment, between-employment, etc., all coming to the same, namely much less and unstable income. How social democracy will preserve its electoral base in the working class on the third way is an open question."<sup>19</sup>

(5) The unemployment rate is intolerably high except in a couple of small countries such as Denmark and Luxemburg. In Germany and France, it is stuck at around 10% officially, and in Italy or Spain, it is much higher. The British and Swedish numbers are considerably lower, 4.7% and 6.5%, respectively. However, this is something of an accounting trick. In both countries, many of the people who are considered disabled could easily be put into the unemployed column, as labour market experts are intimating. Fourteen percent of working-age Swedes are on either sickness or disability leave, a rate far higher than in most developed

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<sup>19</sup> G. Moschonas, *op.cit.*, p.291.

countries. The number of British people receiving ‘incapacity’ benefits is nearly double the number of unemployed and significantly higher than in Germany or France.<sup>20</sup>

(6) We are bound to find similarly sad facts in the social insurance systems, especially in public health and old age pensions. The mainstream media fill pages with dire reports and downward-trend statistics of the financial conditions clouding over social insurance. The causal factors are carefully never mentioned, and this offhand ignorance mirrors the policy of governments, also of social democratic ones, which busy themselves with patchwork measures until conditions have worsened to unreparability in order that private insurance corporations can be asked to enter as saviours. After this backbone of the welfare state is reduced to a minimum where payments hover around the poverty line, the former grandiose advancements of social democracy may be seen as reversed in the main at last.

## VII. *Beyond the End*

To answer my title question briefly: yes, social democracy is ending. There is no well substantiated hope for any restitution of any phase of social democracy, not even for a much longer extension of the present fourth phase, the phase of obvious decline I outlined in the previous chapter. Facing the needs and interests of the vast majority still and into the future, this judgment may sound paradoxical: somehow they will again organize their political representation. But this common notion makes certain presuppositions that can no longer be found in reality, above all the favourable conditions in economic, social, political and cultural structures and the ability of the vast majority to recognize its shared essential needs, to translate these needs into politically categorized interests and finally to rally and organize themselves in light of these interests.<sup>21</sup> There are many new approaches that distance themselves from all fruitless revivals of or regressions to former phases of modern history; most famous are the eco-socialist and radical democratic visions.<sup>22</sup> They more or less rest on post-materialist changes for the better, some even holding in regard the neoliberal pauperization that may rekindle the Furies of plebeian or proletarian riot and uproar. However, they all lack a coherent and elaborated empirically based theory of societal evolution leading to situations of imminent disasters where radical change is the only solution performed by self-reflection of the masses and by their policy informed by this reflection. Therefore, these visions have a strong moralist tone — certainly honest, but empirically unfounded.

As things look now, it seems that the neoliberal capitalism will run its full course. And why not? Criticism on behalf of any morality is futile. But full course means until the ever-aggravating crises of social cohesion, of international balance and of environmental input/output brings on this situation and teaches us immediate dialectics.

HITOTSUBASHI UNIVERSITY

<sup>20</sup> Financial Times, Sept 30, 2004, p.18.

<sup>21</sup> About the present ruggedness and dispersion of the lower classes, see G. P. Azemar (ed.), *Ouvriers, ouvrières: un continent morcelé et silencieux*, Paris 1992.

<sup>22</sup> To name a few who represent(ed) broad movements: W. Voigt, *Theorie der kapitalistischen und einer laboristischen Ökonomie*, Frankfurt 1986; M. Revelli, *La sinistra sociale*, Torino 1997; R. Ayres, *Turning Point. An End to the Growth Paradigm*, London 1998.