Social Democracy

After the Cold War

SOCIAL DEMOCRACY

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EDITED BY BRYAN EVANS AND INGO SCHMIDT

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This volume is dedicated to the memory of our friend and colleague Dennis Woodward. His unexpected and untimely passing left us deeply saddened and robbed the Australian Left of a thoughtful and articulate voice.

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INTRODUCTION

The New Social Democracy

BRYAN EVANS

The contributions to this volume provide a comprehensive examination of a politics that has come to be identified as the "new" social democracy. What makes this historic political movement, with its origins in the late nineteenth century, "new" is the transformation that has occurred in its politics, policy, and ideology since the 1980s, but especially through the 1990s. Of course, social democracy has reinvented itself before. Its original ideological roots, at least in Europe, were broadly Marxist, and its political base was the urban working class. In the postwar era, however, shaped by the Cold War and the brutalities of Stalinism, this heritage was largely jettisoned and replaced with a form of progressive Keynesianism and an increasingly heterodox political base that included a growing number of professionals. The social democracy we see today has now abandoned even that commitment to a mixed economy characterized by significant but not dominant public ownership and redistributive social and economic policies. What distinguishes the new social democracy is an embrace of its new "modern" role as a manager of neoliberal restructuring.

This transformation was noted by Michael Harrington (1986, 2), who warned that the social democratic Left in power had,

in failing to understand the economic change underway in the 1980s, come to pursue the policies of the New Right. In this context, social democracy was "confronting a crisis of definition and political effectiveness" (Laxer 1996, 11). How would social democracy distinguish itself from explicitly neoliberal parties? Or could it? Of this period in the history of social democracy, Moschonas (2002, 229) writes:

> The "new" social democracy has definitely not sprung up like some jack-in-the-box. . . . In a sense, the "third way" was already present as well, prior to its adoption by New Labour and theoretical formulation by Giddens. The new social democracy of the 1990s is the worthy, direct heir of 1980s social democracy. The continuity between them is manifest, and manifestly strong.

Indeed, as a result of the efforts of the "progressive modernizers," for whom modernization "has too often meant deregulation and privatization," social democracy is no longer what it used to be, argues Robert Taylor (2008). "Too many have sought to accommodate or embrace global capitalism," he observes, "with varying degrees of enthusiasm. They continue to see the market as an overwhelming force for good." Social democrats have, moreover, "too often argued that the only way forward is to abandon notions of equality and fraternity . . . and to weaken the state to the advantage of the forces of capital."

Through the lens of seven cases — Canada, the United States, the United Kingdom, Australia, Sweden, Germany, and Québec — this volume seeks to survey and document this turn from the postwar social democracy marked by redistributive and egalitarian policy perspectives to a new social democracy with a role as a "modernizing" force advancing neoliberalism. The contributions here present original insights into how and why this second refoundation of social democracy has occurred and why this is significant in political and policy terms.

The selection of these particular cases provides an interesting survey of social democracy. Represented in this sample are

social democratic parties operating in rather different political and historical contexts. In Sweden, the Social Democratic Party has been the "natural governing party" for most of the past ninety years. Through the forty-four years from 1932 to 1976, it formed the government without interruption and constructed a comprehensive welfare state that is seen as an icon of the social democratic project. Germany, geographically proximate to Sweden, offers a very different story. Since the end of the Second World War, German social democracy has struggled to win national government. The Cold War and the loss of the social democratic–voting East as a result of partition profoundly shaped the electoral prospects and strategies of the social democrats there. And, today, the Social Democratic Party of Germany (SPD) competes with the Left Party for working-class votes. Britain's Labour Party shares with the other two European cases a historical base in the working class. However, whereas the Swedish Social Democrats are the exemplars of redistributive social democracy, in the 1990s Britain's Labour Party came to be the most notable expression of the "new" social democracy. While less well known, Australia's Labor Party (ALP), like its British counterpart, also reinvented itself as a neoliberal modernizing party by implementing marketization and privatization policies while in government and distancing itself from its working-class and trade union base. In Canada, the New Democratic Party (NDP) has never formed government at a national level, but it has had policy influence at certain moments and significant electoral success in several provinces. But, like other social democratic parties, the NDP has transformed itself from a "protest movement" into a party as capable of managing neoliberalism as any of the capitalist parties. And in Québec, a new party, Québec Solidaire (QS), has emerged to give voice to community and anti-globalization activists and workers alienated by the Parti Québécois's rightward drift. Perhaps because of its origins at a time of expanding neoliberalism, the QS remains deeply committed to redistributive social and economic policies but, at the same time, cannot be characterized as monolithically

anti-capitalist. The QS is struggling in a space in which the question is whether it will reinvent Keynesian social democracy or move toward an anti-capitalist politics with a mass base, something that has yet to emerge in North America. And, finally, the United States is often held out as an example of American exceptionalism in that the social democratic movement is widely viewed as non-existent. This is, however, a gross misreading of the American political scene.

Expanding our understanding of the new social democracy is critical for progressives at this time in history. The Great Recession of the twenty-first century, which began in late 2007, presented social democracy with an opportunity to advance "the case for sustained public investment and wage-led recovery" (Hoffer 2009). Instead, social democratic governments in Portugal, Spain, Greece, the United Kingdom, and the Canadian provinces of Manitoba and Nova Scotia all uniformly turned toward austerity policies, including public sector wage restraint, privatization, and a general curtailing of public services. The alternative not considered was to put forward a reform program composed of "policy measures to correct the dysfunctional wage developments of the past decades, to build a genuinely fair and progressive tax base and change the dysfunctional global capital markets" (Hoffer 2009). Larry Elliot (2008), writing for *The Guardian*, notes that despite thirty years of market orthodoxy, the social democratic Left has failed to develop an "intellectual critique of what has gone wrong and what needs to be done to put things right," and the inevitable result, as we are now witnessing, is that "matters will revert more or less to where they were before." Ultimately, social democrats simply offer up the same policy interventions as those of parties and political traditions that are historically recognized for their contribution to the neoliberal project. However, the problem of social democracy, or the broader Left, doesn't stop there. There is neither a class politics that could potentially develop the power to realize alternatives to neoliberalism, nor is there a strategic vision to build such alternatives and class politics. By tracing the rise and decline of

Third Way social democracy in different countries, the contributors to this volume seek to lay the basis for the reformulation of progressive class politics.

Ingo Schmidt introduces the collection with a theoretical examination of the arguments that defined and redefined social democracy on its way to government power in the 1990s. Two factors embedded in social democratic debates at that time were globalization and the electoral dilemma presented by the shrinking of social democracy's historical political base in the industrial working class. In addition, Schmidt looks at the social democrats' experiences in government and explains why electoral success did not endure. Against mainstream social democratic discourse, he argues that neither globalization nor demographic change is key to social democratic success or failure, which is instead linked to economic growth. And here we find a compelling explanation of the brief success, and subsequent failure, of Third Way or "new" social democracy. Schmidt concludes that social democracy in its Keynesian and Third Way versions always relied on economic growth but that both versions were unable and unwilling to pursue their respective programs against the interests of capital in times of crisis.

As this is a Canadian publication and the Canadian case possesses several unique dimensions, the story of social democracy in Canada is presented in two chapters — one dealing with the New Democratic Party as an English-Canadian phenomenon and a second with the rise of Québec Solidaire. Indeed, the longest chapter in the collection concerns the NDP. This party has enjoyed electoral success at the subnational level, having won at least one election in five of the ten provinces, while at the national level it has typically, though not always, been the third party, as measured by the popular vote. Thus, we need to think of the story of the NDP not as a single narrative but as several. Indeed, the national NDP differs from Canada's other major political parties in that it is the only party in which membership in the federal party is directly derived from membership in a provincial party. No other Canadian party is so organized.

In part, the weakness of Canadian social democracy can be explained by Canada's federal political structure, which has reinforced regional and linguistic identities and has constitutionally assigned responsibility for important social and economic policy fields to the provinces. While a number of provinces — British Columbia, Québec, and Ontario, in particular — have relatively high rates of union membership and, at least in historical terms, the trade union centrals have possessed a robust capacity to mobilize members in support of the NDP or Parti Québécois, the same cannot be said for the national Canadian Labour Congress. In addition, the role of the national government in policy innovation and redistribution has been shrinking since the late 1980s. As a result, while not unimportant, the central government often appears remote.

Bryan Evans's chapter on the NDP is thus necessarily broad in scope, as it captures key elements of these many narratives in Canadian social democracy outside of Québec. In 1961, the NDP emerged as a political makeover of its predecessor, the Co-operative Commonwealth Federation (CCF). Canadian social democracy was, at the time, attempting to adapt to the Cold War and expanding to broad-based consumerism by representing itself as declassed and deliberately "liberal." Rather than question capitalism, the NDP claimed that a mixed economy could be better managed by social democrats. This was the first refoundation of Canadian social democracy since the founding of the CCF in 1932. In the 1990s, the NDP moved through a second refoundation, this time much less formal, less organized, and not linked to a specific date or place. But the absence of a founding convention like the one that took place at the Ottawa Coliseum in 1961 does not mean that Canadian social democracy was not in a process of transformation and adaptation to a new terrain of globalized capitalism. Evans's far-reaching analysis of this process links the NDP's adaptation to the constraints of neoliberalism to political economy, sociological characteristics of party activists, and a retreat from the politics of class.

We tend to view the United States as a country devoid of a

living social democratic tradition, but Herman Rosenfeld digs deep into American political history and contemporary formations to find that this is not the case. He explains that social democracy has taken a different form in the United States: historical and political events created a political culture and structures that would force the American variant of the social democratic project to adopt a trajectory unlike that of other social democratic parties. Many American social democrats have, especially since the New Deal, worked within a capitalist party — the Democratic Party. As a result, the American working class has been a junior partner, following the lead of both the American state and the accumulation interests of American capitalism. This reality makes all political experiences on the US Left substantially different.

But, as Rosenfeld notes, there is much more to the American social democratic Left than this. Political formations to the left of the Democratic Party do exist — organizations that call themselves "socialist" but continue to work within the orbit of the Democratic Party. They have differentiated themselves, however, from the neoliberal administrations of presidents Clinton and Obama. These political formations maintain web pages, publish journals, engage to some degree in electoral politics in support of progressive candidates, and, of course, participate in unions and social movements. But their politics and ideological positions are largely pluralistic, and they focus on developing strategies that allow small socialist organizations and individuals to engage with the Democrats.

The recent election of Ed Miliband to the leadership of Britain's Labour Party signals an end to Blairite "New" Labour and perhaps the beginning of a more fundamental reconsideration of British social democracy. Byron Sheldrick examines the origins of the Labour Party as a political and electoral vehicle founded on the principles of labourism and parliamentarianism. These founding principles, Sheldrick explains, have shaped the party's overall approach to regulating capitalism and dealing with economic crisis. In part, the result has been a reluctance to consider

more transformative politics and policy. Ultimately, this created the foundation for the party's own rejection of the postwar Keynesian consensus and thus laid the political groundwork for two decades of conservative rule and neoliberal restructuring. Unlike Labour, the Thatcherite Conservatives tackled the fundamental question of restructuring class relations. Under the guise of "modernization," New Labour subsequently adopted an electoral strategy that accepted the new consensus of neoliberalism and the parameters established by Thatcherism. Sheldrick assesses the implications of the 2010 election and Ed Miliband's victory in Labour's leadership contest.

In Australia, we also find a long labour party history. The Australian Labor Party (ALP) is among the oldest social democratic parties and possibly one of the most politically successful. Indeed, the ALP was the first social democratic labour party ever to form a national government. But on 21 August 2010 Australia held a national election that produced a 2.7 percent drop in the popular vote for the governing Labor Party and the loss of eleven seats. That 2.7 percent of the popular vote went instead to the conservative Liberal-National coalition, which won seventy-two seats, a gain of seven seats. The balance of power lay with one Green MP and four Independent members. More than two weeks of negotiations allowed the ALP to form a razor-thin government with the support of the single Green MP and three of the Independents.

In this context, Dennis Woodward traces the transforming relationship between the ALP and unions. This case study is concerned with the struggle over reform of the industrial relations system initiated by the former Labor government led by Kevin Rudd. Woodward finds that the ALP is both different from and similar to other social democratic parties. It is different in having built a balance between the competing pressures it faces from its trade union base and from business; it is similar in having refounded itself as a multi-class party in which the trade unions are contained as simply one "interest group" among many, each of which is pressing its policy agenda forward.

On 19 September 2010, Sweden's voters handed an unprecedented second term to a government alliance of the centre-right. The Social Democrats, with 30.7 percent of the vote, scored their lowest level of popular support since 1914. Seeking to explain these historic election results, Kjell Östberg charts the transformation of Swedish social democracy from "labour party to liberal party." Swedish social democracy's transformation and declining prestige as an ideological and public policy innovator can be attributed to a variety of forces and developments. In particular, Östberg examines the close of an era of postwar prosperity that created both the political and economic foundation for the welfare state, the end of the Cold War, and the weakening of social democracy's political base — the industrial working class. Ultimately, these factors resulted in shifts in the class composition, ideological orientation, and organizational effectiveness of the party. Östberg concludes by assessing the potential for the emergence of a new radical Left given the limitations and electoralism of both the Social Democratic and Left parties.

Germany's Social Democratic Party, which counted Karl Marx and Friedrich Engels as members, has an iconic place in the annals of classical social democracy. It was the largest and most electorally successful party of the European Left up to the First World War. In his chapter, Ingo Schmidt forcefully challenges structuralist explanations of the Social Democratic defeats in Germany. These arguments contend that changes in social and economic structure undermined both the electoral basis of social democratic parties and the regulatory capacities of social democratic governments. The suggestion is that the declining numbers of industrial workers made it difficult for Social Democrats to win electoral contests. Furthermore, globalization and increasingly liberalized investment regimes meant that high wage and tax policies were increasingly difficult to pursue. Consequently, in the late 1980s, social democratic strategists began to advocate for a shift from class-based politics to appeals to libertarian values and a much more multi-class politics. The electoral success

of Third Way social democracy in the late 1990s is sometimes seen as a validation of this reorientation.

Schmidt instead contends that German social democracy's electoral fortunes can be explained more consistently by economic cycles and changes in world politics. More specifically, the German Social Democrats enjoyed electoral success when they appeared as agents of economic modernization and social justice. During the New Economy boom of the 1990s, profit growth outpaced job creation and wages so that increasing numbers of working-class voters were asking for what they considered their fair share of economic prosperity. These voters saw the SDP as the party of employment growth and a fair distribution of incomes. Moreover, for their wholehearted support of technological innovation, the Social Democrats won support from voters of different class backgrounds. The hope for permanent prosperity tied this cross-class coalition of voters together. However, economic growth, on the one hand, and a desire for social justice and innovation, on the other, do not automatically lead to social democratic election victories. The German experience demonstrates that economic crises produce a decline in social democratic fortunes in elections, membership, and approval ratings. This social democratic experience in times of economic crisis points to the conclusion that cross-class alliances are not the way out of structural decline. Rather, they lead to further electoral failure.

The emergence of Québec Solidaire (QS) is one of the most interesting developments in a very long time within the broad Left in Canada, and perhaps in any of the wealthy Western countries. And yet a paucity of analysis presently exists concerning this new party. As the Parti Québécois (PQ) has steadily drifted to the neoliberal right since the premiership of Lucien Bouchard, the QS has emerged as the largest political organization of the Québec Left. Roger Rashi presents an entirely original analysis of the QS. Tracing the PQ's many swings to the right since 1982, Rashi explains that the QS arose as an explicit rejection of the PQ's program and practice of "neoliberalism with a human

face." Indeed, he rejects the characterization of the PQ as a social democratic party, explaining that its political base was neither the working class nor the trade unions. Although both were an important part of the electoral coalition, this does not make the PQ a social democratic party. In contrast, the QS, with its origins in the anti-globalization movement after 2000, is an anti-neoliberal united front that encompasses various left and radical political trends, some socialist and anti-capitalist in orientation and others leaning toward redistributive social democracy. As Rashi explains, while clearly to the left of any Western social democratic party, the QS is better understood as a "left of the Left" formation, similar to new parties that have appeared in several European countries in the past decade. These parties tend to be multi-tendency, embracing allied but distinct ideological currents, including revolutionary socialist, eco-socialist, anarcho-syndicalist, and redistributional social democrats, under a single organizational umbrella.

In sum, the case studies point to a social democracy that has confirmed its rupture with the postwar order and with its role as the primary political representative of working-class interests. Instead, everywhere we look, social democracy has demonstrated its protean talent for adapting to the requirements of the different phases of capitalism. Québec Solidaire may well be an expression of the potential for renewing a more radical and transformative reformism that, while not anti-capitalist, does raise important questions and offer resistance to the neoliberal variant of capitalism.

IT'S THE ECONOMY, STUPID!

Theoretical Reflections on Third Way Social Democracy

INGO SCHMIDT

In 1950 liberal economist Joseph Schumpeter delivered a keynote speech titled "The March into Socialism" to the American Economic Association in which he lamented what he saw as an unstoppable political trend (Schumpeter 1950). He and other liberals saw Soviet communism, European social democracy, and the American New Deal as varieties of socialism that had begun to replace free market capitalism during the Great Depression and were on the forward march in the 1950s. In 1978 Marxist historian Eric Hobsbawm echoed Schumpeter's 1950 address with his own title, "The Forward March of Labour Halted?" Though Hobsbawm's question was specifically aimed at the British Labour Party, it could have been directed to social democrats in any Western country at the time. Answers were given at the polls: Margaret Thatcher, Ronald Reagan, Helmut Kohl, and Brian Mulroney took offices from James Callaghan, Jimmy Carter, Helmut Schmidt, and Pierre Trudeau, respectively.

Slowly but steadily, the Western world was embarking on a "march into neoliberalism" in the late 1970s and early 1980s. Eastern Europe jumped on this bandwagon after the collapse of Soviet communism in the early 1990s. But then the unexpected happened: a new generation of social democratic leaders such as

Lionel Jospin, Tony Blair, and Gerhard Schröder, among others, took office in Western Europe. In Eastern Europe, where communist parties had never dared to call elections, some of these parties, after rebranding themselves as social democrats, were indeed elected to government (Sassoon 1997). European hopes for a new social democratic era coincided with the proclamation of a "second American century" (Zuckerman 1998). Both were envisioned as a mix of knowledge societies and multilateralism that would, finally, replace industrial economies, distributional conflict, and great power politics. It didn't happen.

In 2001 the so-called New Economy ended in an economic crisis from which it never recovered. Moreover, the War on Terror, declared with much fanfare a year later, replaced hopes for a multilateral world moderated by the United States. The unilateral version of the second American century, though, soon became stuck in military stalemates in Afghanistan and Iraq. Neither economic crisis nor permanent warfare was conducive to social democracy. Throughout the 2000s, social democratic parties lost members, voters, and, in many countries, government power. A look at European Union (EU) member countries illustrates this point: in 2000 the EU had fifteen member countries, of which thirteen had governments that were either led by social democrats or included them as coalition partners. In 2010 social democrats held government power in only nine EU countries while EU membership had risen to twenty-seven.

The revival of social democracy in the late 1990s was therefore short-lived and soon gave way to prolonged decline exacerbated by the Great Recession that began in 2008. Federal elections in Germany in September 2009 left Social Democrats with their lowest results since the end of World War II, and less than a year later, in May 2010, the British Labour Party suffered a crushing defeat. Paradoxically, at the same time, frustration with conservative governments led to the election of social democratic governments in Spain (2004), Portugal (2005), and Greece (2009). These are exactly the countries, though, that have been driven into fiscal crises and draconian austerity programs by a

mix of international speculation and International Monetary Fund and EU intervention. Under these circumstances, social democrats' popularity is likely to dwindle very quickly in these countries. In the United States, Barack Obama, who is as social democratic as a US Democrat can be, was elected upon the promise of "change" in the midst of the Great Recession and is now as busy trying to reign in budget deficits as are his social democratic counterparts in Southern Europe. Social democracy's short-lived revival in the 1990s, its general decline since the early 2000s, and elections won against this general trend pose several questions: Why was there a revival in the first place? Why didn't it last? Why couldn't electoral victories be translated into social democratic hegemony?

The most obvious way to answer these questions would be to ask voters, members, and leaders of social democratic parties. It would also be very ambitious and time-consuming, particularly if answers were sought across the Western world. Only after years of data collection, interpretation, and writing would any answers reach the public. In the meantime, preliminary answers can be derived from debates among intellectuals who are sympathetic with and give advice to social democratic parties. Although intellectuals and politicians are often at odds with each other, there is no doubt that, to some degree, intellectual debates not only reflect the developments in and around parties but also guide political activity. Moreover, a focus on intellectual debate allows the emergence of arguments and ideas that are usually left out of social democratic strategizing.

Consequently, in the first part of this chapter, I explore the arguments that helped to define and redefine social democracy on its way to government power in the 1990s. Globalization and the electoral dilemma posed by the shrinking of social democracy's long-time social base, the industrial working class, were the two threads running through social democratic discourse at that time. In the second part, I examine the social democrats' new experiences in government and seek to explain why electoral success didn't translate into an enduring hegemony. I argue

that, contrary to the suggestion of social democratic discourse, neither globalization nor demographic change is key to social democratic success or failure; rather, the key factor is economic growth. No matter how much social democrats changed in other ways, their strategies relied as much on growth in the 1990s as they did during the heyday of social democracy through the long boom from the 1950s to the mid-1970s. Faltering growth rates were followed by electoral decline in both the 1980s and 2000s.

In a nutshell, the globalization thesis suggests that increasing cross-border flows of goods, services, and capital undermine state capacity to regulate economic activity. The electoral dilemma thesis implies that because of the decline of the manufacturing working classes, who have been social democracy's main social basis since its emergence in the late nineteenth century, electoral coalitions are required to win majorities. Such coalitions, however, include groups that are opposed to social democracy's welfare state agenda. As a consequence, the balance between market and state has shifted from the latter, which was for decades social democracy's vehicle for social reform, to the former. The marriage between social democracy and the welfare state, such arguments imply, can't be maintained. Social democratic success in a globalized and post-industrial world requires an agenda beyond the welfare state and a social basis beyond the working class.

Theoretically, the success of Third Way social democracy in the late 1990s can be attributed to successful adjustments to globalization and demographic change in post-industrial societies. However, since neither of these structural changes has gone away in the years since 2000, one wonders why these adjustments yielded only short-term gains. In fact, the discussion in this chapter of social democratic discourse will show that adjustments to economic globalization and post-industrial societies were not the reasons for social democratic successes in the 1990s. The second part of the chapter tells a different story about the rise and decline of Third Way social democracy. This story ties the fate of social democracy to the equally short-lived second

American century and concomitant hopes for continuous prosperity in a New Economy. As it did during the first American century, social democracy built its political agenda on the expectation of long-term economic growth. In this respect, there is actually more continuity than change between social democrats committed to the Keynesian welfare state and those following Third Way social democracy. Unlike the first American century, which coincided with unprecedented prosperity from the early 1950s to the mid-1970s, the 1990s saw more of a bubble than a lasting boom (Brenner 2002), and the current crisis followed the bubble (Guard and Antony 2009). One obvious conclusion from the Third Way experience is that reliance on economic growth is an extremely unreliable basis for social democracies' electoral success.

It is much less obvious, though, how social democratic parties will respond to the double challenges of economic crisis and electoral decline. They may abandon the position of mass parties of the Left — which they held, communist and New Left challenges notwithstanding, throughout the twentieth century — and transform themselves into another middle-class party. In this case, working classes will either find even less representation in electoral politics, or other parties, left or right, will fill the void (Azmanova 2004; March and Mudde 2005; Thompson 2009). Alternatively, social democrats could try to reinvent themselves as hegemonic parties of the Left. But in times of economic crisis, and probably lasting stagnation, such reinvention would be difficult to achieve without abandoning the reliance on economic growth and attempts at class compromise, a substantial change that may be challenging for parties carrying the baggage of roughly a century of economism and corporatism. Even new parties, wherever people try to build them, will find it hard to break with these traditions. Failure to do so, however, could make the emergence of such parties an even shorter episode than that of Third Way social democracy.

(RE)DEFINING SOCIAL DEMOCRACY

We begin by examining how ideas about long-term social changes, the electoral dilemma thesis (Lichbach 1984; Przeworski 1985), integration of societies and economies across borders, and the globalization thesis (Held 1995; Reich 1992) have contributed to the redefinition of social democracy since the 1980s and 1990s. This redefinition was instrumental in the making of Third Way social democracy (Giddens 1998). To understand the transformations that eventually brought about this new type of social democracy, we must find a definition of social democracy that captures more than just the latest type. Sheri Berman, writing in 2006 when the Third Way had already entered decline, traces what we have observed in contemporary social democracy back to the revisionists in the Second International. She finds two defining characteristics for the political project coming out of those late nineteenth-century battles: the "primacy of politics" and the commitment to "communitarianism" (Berman 2006, 5; Carroll 2005, 8–11; Clift 2002, 467–70). This definition is fairly consistent with the ones provided by Karl Polanyi in the 1940s and Jürgen Habermas in the 1980s. Polanyi saw fascism and war as the result of liberalism's attempts to build an unfettered market society. From this analysis, he concluded that markets ought to be embedded in political institutions to ensure "freedom in a complex society" (Polanyi 1944, chap. 21). Habermas confirmed Polanyi's view that the powers of markets and states need to be balanced. However, writing at the dawn of neoliberal hegemony, he was skeptical about the chances of such a balancing act. Habermas warned that the rationality of markets and political systems — aiming at the accumulation of money and power, respectively — would undermine societies' capacity to put fetters on markets and states (Habermas 1981–84).

It was just a small step from Habermas's definitions and analysis of social democracy to the conclusion that unfettered markets could turn, as Polanyi had argued, into "satanic mills" (Polanyi 1944, part 2.1) again. One more step, and the prominent role that civil society, or communitarianism, plays in Third

Way social democracy becomes understandable (Giddens 1998, chap. 3). Civil society, Third Way intellectuals suggest, delivers the moral resources to counterbalance systemic claims for the maximization of power and profit. However, the step from Habermas to Third Way social democracy brings about a small, but significant, twist. Habermas, echoing New Left criticisms of the state and an administered world, saw the unfettered accumulation of money and political power as a problem. Third Way intellectuals accepted this critique of the state only insofar as it was directed against "old-style social democracy" and the welfare state (Giddens 1998, chap. 1). Apart from that, Third Way philosophy and politics turned a blind eye toward repressive state functions. The result was, to use the subtitle of social liberal Ralf Dahrendorf's 1999 *Foreign Affairs* article, "An Authoritarian Streak in Europe's New Center."

Third Way rhetoric about social democratic renewal in general, and a break with social democracy's statist past in particular, distracts from a tension between communitarian claims and statist practices that runs through social democracy's history, from Eduard Bernstein to Tony Blair. And this is not the only continuity between social democrats committed to the Keynesian welfare state and their Third Way successors. The following discussion of social democratic transformations since the end of the Cold War actually rests on two assumptions. First, social democratic self-perceptions were shaped by the notions of the primacy of politics and communitarianism during both the Keynesian welfare state era and the Third Way episode. Second, underlying these self-perceptions is a continuity of technocratic, corporatist, and statist politics.

Though social democrats advocate for a primacy of politics, they rely on a certain "unacknowledged economism" according to which technical progress is an exogenous factor driving economic development (Wulf 1987). The role of politics, then, is to adjust the institutional superstructure to a shifting economic basis in order to allow a continuation of technical, and therefore economic, progress. To be sure, this technocratic outlook

contradicts programmatic claims for a primacy of politics. From a technocratic perspective, politics doesn't need communitarian foundations but an efficient vehicle to translate the imperatives of economic development into institutional adjustments. Corporatism was such a vehicle. During the reign of the Keynesian welfare state, social democrats preferred corporatist arrangements among states, employers, and unions (Marks 1986). Third Way social democrats have downgraded the role of unions and invited a fair number of civil society groups to such arrangements (Meyer 2007, chap. 2.6). This "extended corporatism" often transcends the borders of nation states and interacts with global civil society. Yet many civil society groups are dependent on state or corporate funding. Thus, the extension of corporatism from the welfare state to (global) civil society further weakened labour in corporatist arrangements instead of, as Third Way philosophy suggests, widening the welfare state agenda beyond questions of income distribution.

With these qualifications in mind, we can now redefine social democracy as a political project that pursues a technocratic corporatism in the name of the primacy of politics and communitarianism. This definition can be used to understand and critique the transformation of social democracy from the Keynesian welfare state to the Third Way. As was mentioned above, the ideas of an electoral dilemma and globalization were crucial for this transformation. Both ideas seem to be straightforward. First, the decreasing numbers of manufacturing workers make it necessary, if elections are to be won, to find voters beyond the industrial working class (Kitschelt 1994). Second, increasing trade and capital flows undermine a state's capacity to create jobs and redistribute incomes. The abandonment of the Keynesian welfare state is thus unavoidable (Scharpf 1991). Yet the empirical validity of both of these claims is highly contentious (Brooks and Manza 1997; Clift 2001; Korpi and Palme 2003; Hirst and Thompson 1996; Osterhammel and Petersson 2003). In historical perspective, the electoral dilemma and globalization theses reveal major inconsistencies and blind spots.

The Electoral Dilemma Hypothesis

For a start, the perceived need to substitute class politics for broader electoral coalitions is hardly an original idea unique to Third Way intellectuals. Eduard Bernstein (1898) was challenging the Marxist proposition of class polarization at the end of the nineteenth century. Capitalist development, according to Bernstein, leads to the attenuation of class differences. For this reason, any social democratic strategy built on an immiserated working class is doomed to failure. As an alternative, Bernstein suggested a strategy of reform that would appeal to workers, farmers, small business owners, and public servants. Similar ideas were discussed in other socialist parties in the late nineteenth century (see Gustafsson 1972). It should be noted that communist parties that were claiming to represent the revolutionary tradition in the labour movement against social democracy's revisions expressed very similar ideas when they adopted the "popular front" strategy in the 1930s.

Sheri Berman (2006, chap. 2), in her account of twentieth-century social democracy, accurately presents revisionist debates as social democracy's departure from class-based socialism. She also shows that the idea of building cross-class support for social democratic parties failed during times of world wars and depression in the first half of the twentieth century. During the postwar prosperity, though, it seems that Bernstein's vision became reality. Programmatic commitments to the working class and a gradual transformation toward socialism that had outlived late nineteenth-century revisionism were abandoned in the early years of the postwar boom. From then on, social democratic organizations presented themselves to the electorate as "people's parties" (Berman 2006, chaps. 3, 5, and 8), and not without success: rapid economic growth and the emergent Keynesian welfare state provided rising real wages and increased income security. Moreover, growing numbers of white-collar occupations in private companies and the expanding public sector offered possibilities of upward mobility to a fair number of working-class individuals. These economic

and social developments allowed social democratic parties to expand their membership and electoral basis beyond the manufacturing working class. A good portion of the new middle class that developed with the postwar prosperity went to the social democrats. Thus, if Third Way ideas of attracting upwardly mobile middle-class individuals ever matched reality, it was during the long boom from the late 1950s to the mid-1970s. In the 1990s, when Third Way intellectuals denounced support for the Keynesian welfare state as old fashioned, the social advancement of some members of the middle class was built on the plight of the working class. Not surprisingly, Third Way support of the former led to a loss of electoral support from the latter. The electoral alliance between working- and middle-class voters, which made social democracy a hegemonic force during the postwar boom, could not be reinvented in the 1990s.

The inadequacy of the electoral dilemma hypothesis goes beyond its untimely suggestion to build cross-class alliances at a time when these actually started to fall apart. A further weakness is that its proponents look at social democratic parties in isolation without considering the role of other parties, intermediary organizations, and hegemonic projects. More specifically, they fail to recognize the role of party competition for the working-class vote. During the heyday of welfare state development, mass communist parties in France and Italy were actually a stronger representation of the working classes in these countries than were social democratic parties (Magri 1971; Ross 1992). Even in countries where communist parties were always small, social democrats, to retain their position as the dominant voice on the Left, had to keep an eye on their more radical competitors. Similar consideration was given to the New Left and, beginning in the 1980s, to Green parties. Competition for working- and middle-class voters also came from the Right. Historically, some working-class individuals have always identified more with religion or nation than with class and have therefore preferred to vote for conservative parties (Knutsen 2004; Van Voss and Van der Linden 2002). A shrinking working-class vote

does not necessarily indicate decreasing population share of that class; it might instead demonstrate dissatisfaction with social democratic policies. The most famous cases of working-class voters deserting social democracy are the elections of neoliberal vanguard fighters Reagan and Thatcher (Davis 1999, chap. 4; Pattie and Johnston 1999).

All of this suggests that parties from across the political spectrum are competing for voters from the same social strata, leading one to conclude that there is no "natural relationship" between social structure and voting behaviour. Although Third Way advocates disparage the economism of Keynesian social democracy and praise post-materialist values instead, the analysis on which they build their claims is totally economistic. It rests largely on the claim that the economic agenda of the working class was, due to this class's decline, superseded by the post-materialist values of a relentlessly growing middle class. The decline of Keynesian social democracy, however, must not be attributed to a withering of the working class. It can also be explained by changes in the composition of the working class that didn't find an expression in the political system. The postwar period was marked by a welfare state consensus, which was shared by all parties. Conservatives certainly had more difficulty embracing the Keynesian welfare state than did social democrats, and eventually expressed it in different ways, but the two groups would eventually pursue similar politics. In fact, welfare states in Canada and Germany were built under both liberal and conservative governments. The social democratic hegemony of the postwar era does not necessarily mean that social democrats were in government; even if they were sitting on the opposition benches, governments still pursued the Keynesian welfare state program. The opposite is true for neoliberal hegemony. The welfare state agenda was first abandoned by conservative parties (Hoover 1987), but eventually, as the rise of Third Way politics testifies, social democrats also left it behind. The question is, then, What caused the shift from social democratic to neoliberal hegemony? To answer this question without resorting to the

economism of the electoral dilemma or globalization theses, one needs to look at politics and agents. This perspective reveals a far-reaching unmaking of working classes in the countries of Western Europe and North America (Schmidt 2009e; Theriault 2003).

Over decades, from the early days of industrialization to the formation of mass workers' organizations in the late nineteenth century, workers in these regions had developed common languages, cultures, and organizational practices. The main focus of workers' organization was the nation state, both for trade unions fighting for legal recognition to improve the conditions of collective bargaining and for parties struggling for the franchise, social reform, or revolutionary overthrow of the capitalist state. Whatever their strategic and tactical differences, all these organizations and their members shared a common understanding of what it means to be working class. Though occupational, skill, gender, and ethnic differences were recognized — and in fact led to bitter disputes on various occasions — the paradigmatic figure in the working class was the manual worker. Working in mines or factories, he was the one who produced society's wealth and would, potentially, be able to do so without the hierarchy of supervisors and bosses. Third Way theoreticians, trying everything they can to distance themselves from this class, actually echo this understanding in an ironic way. Equating working class with manufacturing and pointing to decreasing numbers of workers, they find it very easy to statistically prove that the working class is gone, perhaps reappearing in emerging industries of the Global South but certainly not a force to reckon with in Western countries.

Early in the twentieth century, it was precisely this kind of working class that threatened to shake the capitalist world. And it did. Starting with the Russian Revolution, theoretical arguments about social reform or revolution became a practical choice, or so it seemed. After World War II, this choice was transformed by the conditions of the Cold War and "nationalized" labour movements in the East and West. Recognizing the

Soviet Empire as a force in international relations warded off real or perceived threats of revolution. In exchange, the Soviets had to give up support for revolutionary movements in the West. State socialism was thus contained in Eastern Europe (Saull 2007, chaps. 3 and 4; Thompson 2005, chap. 2). A similar "deal" was struck between capitalists and labour movements in the West: unions were legally recognized and, to one degree or another, institutionalized in emergent welfare states (Buci-Glucksmann and Therborn 1982). The price labour movements paid to become respectable partners in domestic bargaining was similar to the price the Soviets paid for their entry ticket into the world of diplomacy and superpower politics: the abandonment of fundamental social change. Under the "dual regime" of the Cold War and welfare states, any quest for socialist transformation was suspected of being part of a Soviet conspiracy and could be persecuted. Anti-communism was an integral part of Western welfare states. As long as the prosperity lasted, this was a problem for communists, who were persecuted, ridiculed and marginalized, but not for broad layers of the working class, who enjoyed unprecedented increases in living standards and income security (Kössler 2005; Heller 2006, 105–23; Smith 2006, 171–96).

The "Cold War accord" between labour and capital lasted as long as high levels of productivity growth allowed real wage increases without squeezing profits and as long as neither side challenged the status quo. Beginning in the late 1960s, though, a slowdown of productivity growth prompted capitalist appetites to decouple wages from productivity. At the same time, layers of the working class that were not, or didn't feel, represented by unions and political parties — immigrants, ethnic minorities, women and students — questioned the bosses' right to manage and asked for civil rights and increased public spending from the state. Such outrageous demands convinced more and more capitalists that it was time to move away from the Keynesian welfare state toward neoliberalism (Crozier, Huntington, and Watanuki 1975).

At this point, leaders and followers of trade unions and social democratic parties had to realize that integration into the welfare state had been a double-edged sword. While the boom was on, corporatist arrangements didn't deliver equally to all subaltern classes, but they did deliver significant improvements. When the boom was over and new labour and other social movements voiced their interests, it turned out that neither these new movements nor the "nationalized" labour movement were able to win much, if any, progress. Arguably, labour's integration into the welfare state in the 1950s had been the first step toward its unmaking as a class. Once jobs, wages, and welfare state provisions came under attack in the late 1970s (Smith 2006, chap. 7; Workman 2009), leaders, members, and voters of unions, and social democratic parties alike had to realize that they had "unlearned" how to mobilize and fight for their interests on the streets and picket lines (Upchurch, Taylor, and Mathers 2009). Many younger workers, on the other hand, had never come to see themselves or to act as working class. This is one of the reasons why the wave of labour militancy that swept across Western countries in the late 1960s and early 1970s didn't trigger the making of a new working class, a class less centred on "male manufacturing" workers than were the older working classes that began constituting themselves in the nineteenth century.

The longer the neoliberal assault on workers lasted, the more young workers came to see themselves as individuals struggling for survival rather than as part of a potentially collective movement. Increasing numbers of them had never seen a union organizer, nor had they ever been involved in job action or drawn to the electoral politics of the old working class. This process of individualization, or atomization, was the second step in the unmaking of the working class. At the same time, the diverse agendas of the new social movements were far from crystallizing around a common denominator; many of their activists were decidedly anti-labour and thus far from creating a new working class (Heller 2006, 204–10). Thus, while only remnants of the old working class hang on to unions and a

welfare state project, a new working class has hardly begun to organize and fight (Bronfenbrenner 2007; Kumar and Schenk 2006; Tait 2005).

Historically, social democracy was part of the much broader process of the making of the Western working classes, which also included the development of trade unions and a distinct working-class culture. Communitarianism, which Berman (2006) sees as one of the defining features of social democracy, can be seen as the glue that held parties, unions, and culture together. However, this does not apply to Third Way social democrats, who have a much more technocratic approach to politics. Using research and opinion polls, they manufacture election campaigns without making the long-term effort to engage in the remaking of the working class. This approach may, as the social democratic revival of the late 1990s demonstrates, yield short-term gains, but it is decidedly not enough to build a new social democratic hegemony comparable to that prevailing during the postwar boom.

Communitarian references, usually presented in the more fashionable language of civil society, are merely a cover for deeply entrenched economistic and technocratic practices according to which politics is about adjusting the superstructures of society to autonomous developments of its economic basis. No matter how hard social democratic intellectuals, from Eduard Bernstein to Anthony Giddens, try to offer a purely normative definition of socialism or social democracy, the economism that characterized the Second International—and also the Third—still haunts social democracy today. Nowhere is this more apparent than in the social democratic debate on globalization.

The Debate on Globalization

Notions of civil society are not only applied to domestic politics, where they serve as a rationale to abandon institutionalized labour movements and the welfare state. They are also used to sketch out a transformation from foreign, state-centred policies

to global governance (Giddens 1998, chap. 5; Held 2004; Meyer 2007, chap. 5). However, the sticking point in the debate is not so much whether a global civil society is preferable to a statist international-relations regime; the point is rather whether states have the capacity to regulate the economy. Before global civil society talk became fashionable in the 1990s, social democratic intellectuals had already marked the territory for future debates. Key among these markers was the proposition that large corporations had the power to bypass the Keynesian welfare state (Scharpf 1991). According to this view, deficit spending would lead to inflation and, in turn, lower private investment and capital flight. A progressive tax system, designed to reduce income inequality and provide stable funding for the welfare state, was considered another disincentive to investment and reason for tax evasion. Obviously, these views echoed the monetarism and supply-side economics that neoliberals have entertained since the late 1970s. Over the course of the 1990s, globalization became the Trojan horse to smuggle such ideas into social democratic circles, where they triggered extensive debates about the relative power of states and markets (Garrett 1995; Hay 2000; Pierson 2001). A key result of these debates was to identify "varieties" or "models" of capitalism (Coates 2000; Hall and Soskice 2001; Schmidt 2002), ranging from market-led capitalism, through negotiated capitalism, to state-led capitalism. This diversified view on capitalism gave social democrats some relief because it rejected the original proposition that globalization would inevitably lead to a convergence of formerly existing "worlds of welfare capitalism" (Esping-Anderson 1990) toward a ubiquitous Anglo-Saxon model of unfettered market rule. Some contributors to the "varieties of capitalism" debate even went so far as to suggest that corporatism and certain kinds of state intervention could actually contribute to comparative advantages and pointed to the dangers of a political backlash against the outcomes of unfettered global market competition (James 2002; Rodrik 1997). While this approach concedes room for corporatism and political regulations, it shares with neoliberal theorists of

globalization the belief in an indispensable primacy of economics (Friedman 1999). Neoliberal capitalists, as much as Third Way social democrats, saw the Keynesian welfare state as a major roadblock toward the full acceptance of this primacy. Following in the tracks of neoliberal policies, only a competition state was considered compatible with globalization's market imperatives (Cerny 1997; Jessop 2002, chap. 3). Under the perceived constraints of integrated world markets, a remake of the Keynesian welfare state after the neoliberal interlude was not on the social democratic menu, whether voters had an appetite for it or not. Political survival in the face of economic globalization required social democracy's embrace of the competition state (Merkel 2008). "The Third Way" became the name of this project. It promised a shift from the state-centred primacy of politics to a rebranded communitarianism in the names of civil society and global governance. Moreover, the Third Way was aiming for the adjustment of social democracy and the Keynesian welfare state to the new conditions of globalization and the need for a competitive state. The rationale for this transformation was the primacy of economics.

In 1847 a young Karl Marx declared apodictically: "The hand-mill gives you society with the feudal lord; the steam-mill, society with the industrial capitalist" (Marx [1847] 1986a, 165). Five years later, his analysis of the relations between structure and agency was much more nuanced: "Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living" (Marx [1852], 1986b, 103). Ironically, whereas Marx gave up his inclinations to economic determinism, social democratic intellectuals have a long history of hiding a continued determinism behind flaunted commitments to the primacy of politics and communitarianism. The "tradition of all dead generations" weighing on them is that of economistic inklings in Marx and Engels and of the continuous economism of the Second

International. Therefore, it may be appropriate to summarize the strategic outlook of Third Way social democracy by paraphrasing Marx's economistic moment of 1847: assembly-line production gives you the Keynesian welfare state; economic globalization, the competition state. We now move to the second part of this chapter, an attempt to explain the rise and fall of Third Way social democracy in the more nuanced spirit of the 1852 Marx.

THE RISE AND FALL OF THIRD WAY SOCIAL DEMOCRACY

In one case, the Third Way story seems capable of explaining social democratic revival: Tony Blair's New Labour. Under Blair's leadership, the British Labour Party was remodelled along lines suggested by Third Way intellectuals like Anthony Giddens before it won a sweeping victory in 1997 (Panitch and Leys 1997). However, knowing that straight Third Wayism wouldn't sit well with some of their potential voters, France's Lionel Jospin and Germany's Gerhard Schröder mixed new social democracy with welfare state rhetoric to get elected (Clift 2005; Wehr 1998). How necessary this watering down of Third Wayism was became obvious once they turned to the "real thing" in government: privatizations and spending cuts sent their electoral support tumbling. At this point, these few hints may suffice to indicate that social democratic revival in the 1990s was not founded on the successful adjustment of party strategy to a declining working class and the emergence of a global economy. Otherwise, not only the British but also the French, Germans, and others should have openly advocated for a Third Way in their election campaigns. (Did not the Social Democratic Party of Germany adopt a program called the New Middle?) Moreover, successful adjustment to structural change should have yielded more than just short-term gains. We may thus conclude that neither globalization and electoral dilemmas nor social democracy's reactions to these perceived structural changes can explain the rise and fall of Third Way social democracy.

To come to terms with the Third Way episode, we may start with two observations. First, much inspiration for the new social democracy came from Bill Clinton's "New" Democrats. Clinton's campaign slogan, "It's the economy, stupid," helped him into the White House at a time when European social democrats were still working out their new strategies. Second, the social democratic revival was over as soon as the New Economy boom went bust in 2001. Since then, social democrats have either lost government power or have had great difficulty retaining it. These observations suggest that the fate of the new social democrats was somehow linked to the second, and very short, American century, which began with the end of the Cold War, was in full swing during the Clinton presidency, and ended with the end of the dot-com boom in 2001. Paradoxically, at the same time when Clinton, while maintaining his popularity, steered the United States and the world at large closer to the neoliberal ideal than anyone before or after him, an upsurge of neoliberal discontent fed into the success of Third Way social democracy. This success was carried by unlikely bedfellows: on one side were aspiring middle-class folks who saw the New Economy as ushering in a world of opportunities and on the other side, workers who were either trying to hang on to decent jobs or hoping to upgrade their low-paying jobs. When the boom was over, middle- and working-class people went separate ways. Many of the former thought that an even higher dose of neoliberalism than the one Third Way social democrats had prescribed would help them to protect their social status. In contrast, increasing numbers of working-class people, with no effective political representation in sight, moved toward abstention and passivity.

The Rise of New Social Democracy

The Keynesian welfare state was constructed around a historic bloc comprising industrial capital, institutionalized labour movements, and increasing numbers of middle-class professionals working in the private and public sectors. Recurrent economic

crises in the 1970s led to tensions and cracks within that bloc. The conservative decade of the 1980s led to, and was made possible by, the continuing unravelling of the welfare state bloc (Aronowitz 1982). The further this process went, the more the emergent hegemony of neoliberalism was consolidated (Schmidt 2008b). However, it didn't take long before neoliberalism bred its own discontent, first articulated by a rising tide of street protests, which led to a movement against corporate globalization and eventually to votes for social democrats promising a Third Way beyond neoliberalism and the Keynesian welfare state.

The traces of this discontent, and its internal contradictions, go back to the discontent with the Keynesian welfare state. Most prominent in this regard is the problem of inflation. Rich and affluent middle-class households saw it as a threat to their financial wealth, while poor people struggled with the decreasing purchasing power of their low wages. These frustrations were successfully mobilized against the wage bargain that allowed unionized workers to defend, or even increase, their real wages against inflation. Unorganized workers — often women, immigrants, or ethnic minorities who, under still-prevailing conditions of tight labour markets, turned to rank-and-file militancy — also expressed dissatisfaction (Brecher 1997, chap. 7; Horn 2008, chap. 3). Thus, institutionalized bargaining between industrial capital and organized workers — the hard core of social democratic hegemony in the postwar era — was sufficiently delegitimized (Offe 1984) to launch an attack on unions once the economic crises of 1974–75 and 1980–82 led to soaring unemployment. As a result, average real wage growth was decoupled from productivity increases: in other words, redistribution from wages to profits propped up profit rates. Wage dispersion, measuring the gap between the highest and the lowest wages, also increased. Significantly, inequality between high- and low-paying jobs was strongest in countries where the institutionalization of labour and the welfare state had been weakest. This is why, over time, continental European states came to appear much more social than the Anglo-Saxon

countries, where statism was always more relaxed than on the European continent (Pontusson 2005).

Discontent with the Keynesian welfare state was not contained within the immediate conflict between labour and capital. Equally important were conflicts over taxation and public spending (O'Connor 1973). These conflicts proved to be lethal for the alliances between professional middle classes and working classes and those between public and private sector employees. Poor people demanded public spending increases — for example, for social housing, childcare facilities, and better access to secondary and post-secondary schooling. With governments' acquiescence to these demands, increasing numbers of decently paid workers and middle-class professionals, many of whom owed their social status to the expanded roles and range of public services delivered through the welfare state, felt that they were becoming paymasters of the undeserving. This provided an ideal breeding ground for Reagan's and Thatcher's anti-tax populism. In 1976 even the welfare state showcase, Sweden, saw the Social Democrats, after forty uninterrupted years in government, defeated electorally. Growing anti-tax sentiment was one of the reasons for the unexpected turn to the conservatives. Many private sector workers joined the anti-tax electorate once their jobs and wages came under pressure in the mid- to late 1970s. Narrowing the gap between gross and net wages by lowering taxes would, they hoped, allow disposable incomes to be maintained and give their employers room for cutting labour costs. Cost cutting was obviously the way to higher profit rates. Publicly, though, it was presented as a path to job security in troubled economic times. The result of growing anti-tax sentiment and related policies was not, as neoliberal propaganda proclaimed over and over again, a lowering of the state's share of the GDP. Rather, the result was a shift of the tax burden from rich to poor and spending cuts for the poor. Fiscal policy, instead of being rolled back, was used to serve the middle class and bourgeoisie in their quest for income improvement. Rising inequality under the reign of neoliberalism was thus fed by a

shift of bargaining power from labour to capital and by the use of tax policies.

But the transition from the Keynesian welfare state to neoliberalism wasn't completely driven by economics. Politics played its part as well. One of the paradoxes of the welfare state was that, to the degree that labour power was decommodified, workers dared to care about more than bread-and-butter issues. They felt, to one degree or another, the alienations of the individual in an administered world (Marcuse 1964), and things deteriorated when, beginning in the mid-1970s, unemployment became a much more pressing reality. Now the welfare state revealed its capacity to either grant or deny all manner of benefits. Not surprisingly, many felt that although they still had to pay taxes, they were treated like unwarranted supplicants when they wanted something in return. Under the reign of the Keynesian welfare state, workers had had to struggle with bosses and state bureaucrats. Neoliberalism happily turned its spotlight on the frustrations and anger arising from these struggles to advance its anti-state agenda, promising liberty in a world of individuals communicating and contracting with each other without cumbersome state interference. Neoliberalism also promised that, as a positive side effect, individual interactions unhindered by the state would revive economic prosperity that had been suffocated by the welfare state.

The neoliberal promise of liberty and prosperity was, somewhat unexpectedly, supplemented by the collapse of state socialism in Eastern Europe. Social democrats in the West were very eager to present the Keynesian welfare state as an alternative to state socialism in the East. However, not even the staunch anti-communism that most social democrats demonstrated was good enough to overcome conservative and neoliberal suspicions that social democracy and communism were two wayward children of the same rotten parent — state intervention. Consequently, conservatives and neoliberals jumped at the chance to portray Western remnants of social democracy and the Keynesian welfare state as doomed after Soviet communism had imploded in

the East. But the moment of unchallenged neoliberal supremacy was short.

Subterranean discontent with neoliberalism had already begun to develop before the Soviet Empire collapsed. Arguably, the collapse only delayed open articulations of that discontent. The main reason for disaffection with neoliberalism was quite simple: just like other political projects in the past, it couldn't deliver on the promises that had been made to those following the neoliberal flag. In the early 1980s, neoliberals convincingly argued that some belt-tightening was necessary to prepare economies for a new prosperity after the postwar prosperity had been dragged down by the unholy trinity of big government, big labour, and big corporations. However, higher profits would, after a short period, trickle down and improve income and working conditions for everybody. By the end of the 1980s, in the face of fairly high rates of economic growth, increasing numbers of people at the lower ends of the income hierarchy sensed that the rising tide, instead of lifting all boats, might simply leave them behind (Albelda et al. 1988). Depending on a state's particular institutional set-up and policy trajectories, big labour had either been marginalized or incorporated into the downscaling of labour and social standards. Big government and big corporations had changed their faces in the transition to competitive states and lean production, but they were still big and had more power over working and poor people than they had had under the reign of the Keynesian welfare state. With hindsight, the postwar mix of prosperity and social democratic hegemony appeared more and more as a "golden age" (Marglin and Schor 1991). People who were struggling to make ends meet increasingly defined a good life as one they could have had, or hoped for, from the 1950s to the 1970s. Yet this didn't mean that people who were discontented with neoliberalism could be rallied behind a "Bring Back the Keynesian Welfare State" banner. Many of those who would have liked to see this happen had accepted the neoliberal idea that globalization had made negotiated class compromises, redistributive tax systems, and employment policies impossible. Others, responding

to the emerging alliance between the competition state and big money, adopted a general attitude of distaste toward the state. Taking neoliberalism's anti-state populism seriously, they were disgusted to see that although they didn't receive much tax relief, they did suffer from cuts in public services, yet state support was always available to large corporations when they reported a profit squeeze.

Thus, neoliberalism's discontented were split between those who considered a Keynesian welfare state impossible and those who didn't want a statist alternative to actually existing neoliberalism. This was fertile ground for Clinton's marriage with the New Economy: his 1992 campaign slogan — "It's the economy, stupid" — catered to disgruntled Republican voters who didn't want a realignment between Capitol Hill and trade union headquarters, and economic growth, just picking up after the 1990–91 recession, gave new hope to people who thought a welfare state revival had become impossible in a global economy. Clinton's first election and presidency set the tone for Third Way social democrats in Europe. Riding the New Economy boom, Blair, Jospin, and Schröder attracted optimistic voters who were, or thought they were, ready for the global economy and more skeptical ones who, if only for lack of other alternatives, were hoping that continued growth might eventually have some trickle-down effect and that social democrats would be more willing to allow such a trickling down than conservatives, with their traditionally close ties to big business. Yet the Third Way honeymoon didn't last long. The first disappointments came even before the end of the New Economy boom put the whole project on a downward slope.

The Fall of New Social Democracy

One common feature of Third Way governments was their commitment to austerity (Glyn 2006, chap. 4; Romano 2006). Taking the notion of balanced budgets much more seriously than their conservative predecessors, who had preferred to

preach the gospel rather than apply it, they kept the lid on social spending. Consequently, macroeconomic constraints translated into pressure on individuals to accept lower wages and cuts in benefits. If anything, Third Way governments spent money on subsidizing the expansion of low wage sectors. And there were country-specific disappointments, too. In the United States, calling off health care reform and pushing for neoliberal trade agreements — namely, the WTO — let Clinton voters down (Pollin 2003, chap. 2). The thirty-five-hour workweek in France, which had been a union priority for many years, went hand in hand with labour market deregulation. Moreover, the Jospin government sped up the process of privatization, which inevitably led to confrontation with the unions, which were trying to defend public ownership (Budgen 2002). Schröder, in turn, disappointed voters with his mix of corporate tax cuts, labour market deregulation, and attempts to undercut unions' collective bargaining power by dragging worker representatives on the company level into a policy of competitive corporatism (Schmidt 2005).

In the field of foreign policy, the 1999 war against Yugoslavia turned out to be an irritant for all social democratic governments (Ali 2000), not because those governments or their voters were necessarily opposed to the war — in fact, opposition against the war was shamelessly weak — but because the US push toward war contradicted Clinton's commitment to multilateralism. Unlike his predecessor, George Bush Sr., who was clearly committed to great power politics and had launched a war against Iraq in 1991, Clinton presented himself as a man of peace and negotiation. After decades of Cold War confrontation, this message resonated not only domestically but also abroad. Social democratic governments in Europe were therefore bemused when Clinton changed course toward a war of aggression. Voters in Europe, in turn, were baffled when they saw how quickly social democrats followed Clinton's new direction. The same irritations between Clinton, European social democrats, and European voters flared up over the neoliberal free trade agenda that complemented

Clinton's great power politics. For a while, social democrats presented a European social model as an alternative to US capitalism, which was portrayed as a mix of unfettered markets and ruthless power politics. Popular as the idea of a social model was, and still is, voters were suspicious of its connection with the EU. Since the mid-1980s, European integration had been used as a pretext to slash the national welfare state. Winning government power in the 1990s, social democrats, as it turned out, were willing to top the EU's institutionalized neoliberalism with corporatist mechanisms such as the Macroeconomic Dialogue but were not willing to change the actual direction of European politics toward job creation and social security (Schmidt 2009d). Thus, attempts by European social democrats to distance themselves from the Clinton Democrats, who had been a major source of inspiration just a couple of years earlier, created new disappointments among voters who were looking for an alternative to neoliberalism.

To be sure, Clinton's economic and foreign policies could have been expected. After all, his presidency was meant to inaugurate a second American century, built, like the first one, on superior economic and political power. Yet these underpinnings were not as visible as they had been during the first American century, when confrontation with the Soviet Empire made open display of power a preferred propaganda tool. After the Cold War, by contrast, many people around the world were tired of power politics and were also awaiting the peace dividends that Thatcher and Bush Sr. had promised but never delivered. Couching continued aspirations for hegemony in the language of globalization was thus a smart marketing strategy by Clinton and his "New" Democrats. What's more, neither irritation over Clinton's open embrace of great power politics nor domestic disappointments with newly elected social democratic governments sufficed to turn the Third Way into a dead-end road immediately. As long as the New Economy boom was going strong, there was hope that prosperity might eventually replace domestic and international conflicts over income distribution with secure jobs and some

new kind of social justice. Any such hopes were dashed when the boom went bust in 2001.

Sticking to their competition state agenda (Huo 2009; Merkel 2008), Third Way social democrats made it very clear that they were — to reverse the popular slogan of anti-globalization protestors — putting profit before people. The possibility of escaping the paternalistic welfare state and finding fulfilling employment instead, a core theme of Third Way ideology, rang increasingly hollow to poor workers who couldn't find any job, to unionized workers whose jobs were downgraded to casual work, and even to middle-class professionals who found the expected returns on their human capital investments vanishing.

Not surprisingly, then, Clinton's "New" Democrats lost the 2001 election to the far-right Republican George Bush Jr. In the first round of the French presidential elections a year later, Jospin came in a shocking third, behind the neofascist Jean Marie Le Pen. To prevent Le Pen from becoming president, the left vote was mobilized in support of conservative candidate Jacques Chirac. In Germany, Gerhard Schröder, who won a narrow re-election in 2002, called for early elections in 2005 to avoid a foreseeable disaster in the regular elections scheduled for 2006. This move bought the Social Democrats one term as junior partner in a Grand Coalition under conservative Christian Democratic Union chancellor Angela Merkel. Yet in the 2009 elections, German Social Democrats suffered the worst election results since 1949, when the first elections after the Nazi regime were held. Ironically, Blair, who moved the welfare state further toward the competition state than any of his fellow Third Wayers, was re-elected twice, in 2001 and 2005. However, this was only possible because, in their efforts to switch Britain from welfare state–building to neoliberal rollback, his predecessors — Major and Thatcher, in particular — had used up support for the Conservative Party almost completely. In the meantime, however, New Labour became as exhausted as the Conservatives were after eighteen years in office and was consequently voted out of office in May 2010.

Anecdotal evidence from Britain, France, Germany, and the United States should suffice to illustrate the links between economic growth and social democracy's electoral performance. The inability of social democratic governments to either sustain growth by political means or to meet the expectations of their voters even in the absence of growth led to a decrease in electoral approval and party membership. This doesn't mean that social democrats can't win elections. The 2008 election of Barack Obama shows that, if voters are sufficiently disgusted by a conservative government, (social) democratic victories are possible. However, the discrepancy between voter expectations and government capacity to deliver on these expectations are even further apart under Obama than they were under Clinton. This suggests that, with no economic prosperity in sight, social democrats are unable to develop a hegemonic project that could, potentially, mobilize the growing number of people who are discontent with neoliberalism or, even more fundamentally, capitalism.

The apparent inability to use the electoral victories of the late 1990s as the basis for a new social democratic hegemony leads us back to the relations between social democracy, US dominance, and growth. After all, Third Way social democracy set its hopes on a new economy that was engineered in, and exported from, the United States. As during the postwar prosperity, the US was seen as a model for economic growth and, embedded in a network of multilateral organizations, a guarantor of global market exchange. Without a doubt, the US is still global capitalism's main engine of growth and centre of innovation, providing world markets with a reserve currency and enforcing open market access. However, whereas postwar prosperity saw unprecedented growth and almost unchallenged political and cultural leadership of the United States, the 1990s were rife with doubts concerning the US's ability to reinvent its hegemonic position on a new economic basis. US growth, and that of other Western countries, was still lower than it had been during the 1970s. Asia — namely, China — emerged as a new centre of

economic growth (Arrighi, Hamashita, and Selden 2003). The euro, renminbi, and yen were seen as either potential candidates to replace the US dollar as international reserve currency or as anchors of a fragmenting monetary system (Helleiner and Kirshner 2009). Finally, protests against the WTO, IMF, and regional free trade agreements increasingly denounced globalization as a cover for the US quest for world domination (Panitch and Leys 2004). Considering these challenges to US hegemony in the fields of economics, politics, and culture, which the Clinton government saw as key pillars of the second American century, it is no surprise that his successor, George W. Bush, moved much further toward military-based efforts to reinforce US supremacy (Callinicos 2003). However, the US-led invasions of Afghanistan and Iraq made things even worse. Western allies of the United States were disgruntled by Bush's shift from multilaterally negotiated world domination to American unilateralism (Habermas 2006). In other parts of the world, the US was first seen as a "naked imperialist" (Foster 2006); later, when it turned out that neither of the wars in Afghanistan or Iraq could be won, the United States came close to resembling what Mao called a "paper tiger" (Mao Tse-Tung 1956). Furthermore, economic recovery after 2001, fuelled by cheap credit and military spending, was the weakest after World War II and eventually led to the most severe crisis since the Great Depression of the 1930s (Schmidt 2008a). To be sure, none of these challenges implies that the United States has been replaced, or will be any time soon, by another hegemonic power. It is much more likely that the combination of weakened US hegemony and rising regional powers in Asia and Latin America will lead to persistent instability (Schmidt 2008b). Moreover, prospects for world economic growth are pretty gloomy. Strong growth in Asia is mostly based on the mercantilist model of industrialization that all Western countries who followed the original industrialization of England went through. In a world economy that is already ridden by overcapacities, the combination of export- and investment-led growth will soon reach its limits (Li 2008).

For social democracy, unstable international relations and economic stagnation is the worst-case scenario. Social democrats from Bernstein to Giddens claimed that the primacy of politics, representing communitarian values in the political and economic system, could tame the self-destructive tendencies of unregulated market economies. But the reality was always different. Social protections could only be achieved when capitalism was prosperous, as during the "one big wave" boom after World War II (Gordon 2000). In times of crisis, social democratic governments have regularly surrendered to the primacy of economics, meaning that they took measures to restore profits and investment even if this hurt their own constituencies. Thus, the limits of capital accumulation also represent limits to social democratic attempts to moderate conflicting class interests. Under present conditions, where working classes lack political representation and the capacity for independent class mobilization, this, of course, implies that capital's quest for profit dictates the political agenda.

CONCLUSION

In the twentieth century, social democracy was the strongest force on the left. Its ups and downs were a mirror image of the degree to which working-class interests could be articulated vis-à-vis capitalist interests. Yet this articulation was always preconditioned on strong economic growth so that rising wages, including the social wage, and job protection would not hurt capitalist profits. A class compromise during the postwar boom was the best social democracy could deliver. Attempts to return to such prosperity and compromise under the new ideology of the Third Way failed. Economic growth since the 1980s, though not slow by historical standards, has lagged behind the exceptional growth that made social democratic hegemony possible after World War II. With no future growth in sight, future attempts at political conflict moderation will be as unsuccessful as the Third Way was. Under conditions of slow growth, the

Keynesian welfare state was transformed into a competition state. Contrary to widespread globalization wisdom, competition states don't level the playing field for workers from all countries. Instead, continued attempts of Western countries to maintain a competitive advantage over potential competitors in the Global South pit workers from rich countries against those from poor countries. Moreover, this competitive race implies the dangers of fragmented world markets, beggar-thy-neighbour policies, and resulting severe economic instability.

On the other hand, the election of social democratic governments in the 1990s, in the absence of other viable alternatives, indicated a prevalent taste for social security, justice, and job creation. Committed to capitalist accumulation and profits, Third Way social democrats were unable and unwilling to meet their voters' expectations. Alternatives to neoliberalism and the competition state, it seems, must be built beyond social democratic parties. To be successful, such alternatives have to begin with a remaking of the working classes that were dissolved into small factions or completely isolated workers under the reign of neoliberalism, including Third Way governments. To overcome the competition between workers from rich and poor countries and to counteract the destructive effects of that competition, the new formation of working classes must transcend national borders and international hierarchies. Globalization, as pursued by conservative and social democratic governments, has so far meant the possibility of obtaining equal rates of profit in a highly unequal world. To escape this unequal world and the threats that it represents, even for relatively privileged groups of workers, a globalization of working-class struggles is needed. Only on this basis can political representations thrive and resist absorption by the capitalist state.

FROM PROTEST MOVEMENT TO NEOLIBERAL MANAGEMENT

Canada's New Democratic Party in the Era of Permanent Austerity

BRYAN EVANS

Over its eight decades of existence, Canadian social democracy, as expressed organizationally in the Co-operative Commonwealth Federation–New Democratic Party (CCF-NDP), has undergone two programmatic and organizational transformations. The first was a planned and formalized refoundation. Born in the heart of the Cold War and its derivative "culture" of anti-communism, the NDP's emergence in 1961 expressed a declassed and technocratic Keynesianism that signalled a retreat from class as the ideological and organizational centrepiece of its politics. The construction of the NDP was, from its inception, an adaptation to the economic conditions of the golden age of postwar North American capitalism and to the political conditions prevailing through the 1950s and 1960s. The second refoundational episode — an informal, perhaps organic, adaptation in the 1990s to the now-embedded conditions of neoliberalism — strengthened the foundations for a social democracy that went beyond merely consolidating the explicitly "liberal" and post-class political orientation that had shaped the origins of the NDP.

This is not a uniquely Canadian trajectory. As with other members of the Socialist International, New Democrats "began to incorporate neoliberal policies into their programmes and

rule as neoliberals in power" (Albo 2009, 119). Andrew Gamble and Tony Wright (1999, 2) contend that "social democracy has always had to change to survive." It is "not a fixed doctrine but a political movement, as protean as the capitalist economy." It is also not "a particular historical programme or regime or political party or interest group, or even an unchanging set of values." Indeed, "its only fixed point is its constant search to build and sustain political majorities." This propensity of social democracy to transform is a historically well-established practice of adaptation to electoral defeat, which necessitates a reconsideration of program and strategy. The supposed consequences for failing to adapt to changing conditions are dire, for "if socialists do not change they will disappear" (Sassoon 1999, 14). And, of course, each successive adaptation entails a clearer rejection of a class-based politics (a politics that implies a critique of capitalism to a greater or lesser degree) and a firmer embrace of capitalism.

If social democracy is indeed such a plastic political formation, then what is it? What is its political project? The answers have been clear since the First World War. Social democracy does not seek political transformation but rather alignment. It does not seek to ask fundamental questions about the rationality or structures of capitalism but rather to "modernize" these and, where possible (but not necessarily), to create a degree of space for labour, women, and ethno-racial minorities, as well as for the role of the state in addressing political problems. Since the economic crisis of the 1970s, however, the terrain upon which postwar social democracy originally established itself and manoeuvred to implement its redistributive program has been transformed. Indeed, it has been argued that social democracy, from the 1980s and into the 1990s, has undergone "more change than in any decade since World War II" (Kitschelt 1994, 3).

In part, one can explain the ongoing transformation of social democracy by reference to the structural changes within capitalism. The nation state–centred political compromises of

the mid-twentieth century gave way to a qualitatively different capitalism. Neoliberalism, which Perry Anderson (2000, 17) characterizes as the "most successful ideology in world history," has been such a powerful force since the early 1980s that social democracy, ever adaptable and protean, has transformed to accommodate itself to the new conditions created by neoliberalism's rise. Resistance appeared futile and the limits and outright failures of the Swedish and French social democrats to construct an alternative economic policy appeared to provide additional evidence that, indeed, there was no alternative. And so, as Frances Fox Piven (1992, 18) notes, social democratic parties everywhere are "acknowledging the necessity of adapting to international markets and the austerity policies capital has demanded, arguing mainly their own superior technical capacity to develop and administer the neoliberal policies that will match market imperatives." In other words, social democrats contend that they can manage neoliberalism better.

Much of the literature examining Canada's principal social democratic party, the CCF-NDP, is concerned with the "protest movement becalmed" thesis, which argues that the party gradually became much more concerned with electoralism than with achieving social change and transforming class relations. In other words, the prevailing political objective became electing as many representatives as possible with a view to winning government. Consequently the CCF-NDP set upon a trajectory of ever-increasing ideological moderation and internal organizational centralization. It must be recognized, of course, that the CCF-NDP was never anti-capitalist. Although the CCF did, in its formative years, advance a program of significant state intervention into the capitalist economy, Mackenzie King, Canada's prime minister through part of the Depression and the 1940s, famously characterized the CCF as "Liberals in a hurry." Michael Cross (1974, 6) confirms King's description, noting that the CCF-NDP was never "a socialist party in the orthodox sense. . . . The NDP was created as a liberal party." Canada's CCF-NDP, like social democracy everywhere, was and is completely integrated into

the capitalist regime of accumulation rather than being a challenge to that regime.

It is not possible to fully understand the New Democratic Party in ideological and political terms without a somewhat broader historical frame of reference, including the party's founding in 1961 and some examination of its antecedents in the Co-operative Commonwealth Federation. We can think of the creation of the NDP as the first structured refoundation of Canadian social democracy. While there was no comparable and formal second refoundation within the era of neoliberalism, in the wake of the free trade election of 1988, the NDP went through various internal debates, providing evidence that a second refoundation did in fact take place.

The creators of the NDP hoped to reconstruct Canadian social democracy and broaden its electoral appeal by presenting a more moderate and therefore "modern" face. They believed that it was strategically important to leave the Depression behind since an era of seemingly perpetual prosperity and broad-based consumption appeared to be increasingly firmly rooted in the lives of "ordinary" Canadians. This strategy was an explicit adaptation to and acceptance of the mixed market economy, regulated capitalism, and the declassed politics resulting from the conditions of the Cold War and emerging working-class consumerism. In short, social democracy embraced the society of mass consumption. By the 1990s, the NDP had made further accommodations, not with the mixed economy of regulated capitalism but with its neoliberal variant: the party incrementally abandoned its long-standing commitment to public ownership, redistributive social policies, and the right of workers to organize and to have a range of social protections to mitigate the most egregious effects of a market economy.

In addition to the profound effect of neoliberal restructuring, social democracy in Canada has been shaped by certain characteristics of Canadian political arrangements and history. Specifically, the federal structure of the Canadian state created subnational units — provinces — enabled with substantial

authority over economic and social policy and program delivery. But although each province presents a distinct political economy, New Democrats in power in different provinces take similar approaches to governing. Second, Canadian social democracy throughout its history has fully accepted the tenets and practices of liberal democracy, along with the concomitant limitations for a more radical theory and practice. This fundamental principle largely restricts NDP strategy to a narrow electoralism and excludes a comprehensive critique of the undemocratic — or at best, rather limited democratic — practices of the institutions composing the Canadian state. Consequently, a critical political program seeking to push this state form to its limits and perhaps beyond is not likely to be entertained. The result is a core narrative running through the entire history of the NDP: integration into liberalism in its first historical episode and into neoliberalism in its second.

A SHORT HISTORY OF CANADIAN POSTWAR SOCIAL DEMOCRACY

Gerassimos Moschonas (2002, 21) writes that in the wake of the Second World War, "social-democratic parties successively embarked on a process of doctrinal and programmatic deradicalization, constituting themselves as parties of 'all the people.'" The same general process took place in Canada. By 1956 it had become evident that the CCF had stalled electorally and had begun a incremental but continuous decline relative to its peak showing in the 1945 federal vote, when it won 15.6 percent of the popular vote. In each successive election, the CCF vote eroded, reaching a low of 9.5 percent in 1958 (Whitehorn 1992, 2). This limited electoral appeal was understood by the party leadership as reflecting the inability of the CCF to adapt its Depression-era program and organizational structure to the economic and political realities prevailing in the 1950s.

The CCF: From the Regina Manifesto *to the* Winnipeg Declaration

Programmatically, the CCF was guided from 1933 to 1956 by the *Regina Manifesto*. While a few of its provisions have given it an exaggerated radical legacy, the *Manifesto* did nonetheless encapsulate a critique of capitalism. The CCF unequivocally stated the party's political objective in this document: "We aim to replace the present capitalist system, with its inherent injustice and inhumanity, by a social order from which the domination and exploitation of one class by another will be eliminated, in which economic planning will supersede unregulated private enterprise and competition, and in which genuine democratic self-government, based upon economic equality will be possible" (quoted in Young 1969, 304). The *Manifesto* proposed reforms that it described as constituting a "far-reaching re-construction of our economic and political institutions" (305) and "moved the fight for immediate demands into a primary rather than a secondary position" (Penner 1977, 196). Specifically, it called for the establishment of various state planning mechanisms within a socialized economic order as the most effective path toward a more equitable distribution of resources. Public ownership of banking, insurance, transportation, communications, and electricity production and distribution were given priority; after those sectors were dealt with, socialization was to be extended to "mining, pulp and paper and the distribution of milk, bread, coal and gasoline" (*Regina Manifesto*, quoted in Young 1969, 305–6). While the *Manifesto* famously called for "the eradication of capitalism" (313), it did not articulate a strategy for how this would come about save for an implicit acceptance of the parliamentary route as the only acceptable strategy. Although the document emphasized public ownership, this is not necessarily anti-capitalist, as indicated by government actions in the United States, United Kingdom, and beyond in response to the global financial crisis. As John Smart (1973, 203–4) writes, "The document was based on an assumed rather than stated class analysis. No strategy was enunciated for restructuring society."

The period from 1942 to 1945 marked a political high point during which the CCF made impressive electoral gains, forming the government in Saskatchewan and becoming the largest opposition party in Ontario, British Columbia, and Alberta. Added to this were four federal by-election victories out of a total of eight. One national opinion poll in 1943 placed the party in the lead. This success brought with it a turn to programmatic moderation and bureaucratization of the party apparatus. Policy positions expressed "a diminishing hostility to the social order, modification in the proposals to change it, and a shift in time perspective" toward more immediate objectives. In addition, the organizational apparatus of the party expanded and its leadership became much more professionalized. The locus of power shifted from the grassroots party clubs to the centre (Zakuta 1964, 70).

The macroeconomic context, in Canada as elsewhere, was also changing. By the mid-1950s, political and economic forces were in the process of transforming Canada into a place rather different from the country that had given birth to the CCF in the years of the Great Depression. Unemployment, at 3.4 percent in 1956, was hardly a crisis; the Keynesian welfare state and the notion of the mixed economy was now orthodoxy for social democrats, liberals, and conservatives alike, and Canada was becoming increasingly urbanized. The occupational mix was changing dramatically as the service sector in both the public and private sectors expanded, and the conditions of the Cold War worked to quash any critique of capitalism, no matter how mild (Whitehorn 1992, 45). The identity of the worker-citizen was being transformed in the context of expanding prosperity to that of consumer-citizen. In addition, for the CCF, the Cold War years contributed to a rethinking of the central role of public ownership and nationalization in constructing an alternative to capitalism. The national chairman, Frank Scott, in his opening address to the party's 1950 convention, suggested "that for any socialist today to look upon every proposal for nationalization as the acid test of true socialism, an act of faith rather than reason,

is to be a little foolish. . . . While our fundamental purpose of production for use remains, we must keep an open and intelligent mind on the degree and timing of socialization" (quoted in Penner 1992, 87–88). Clearly, the structural, ideological, and demographic terrain that had provided the CCF with its social and political foundation was shifting. Consequently, consistent with Sassoon's formulation of social democracy's genetic requirement to "change or disappear," the CCF set out to reinvent itself just as several of its significant European sister parties had already done or were about to do.

A restatement of program and principles was found to be necessary, and the result was the *Winnipeg Declaration*. This document expressed a discernible shift in emphasis and tone. Of course, as a product of the Cold War, it took a justifiable swipe at the "new totalitarianism" established by the Stalinist regimes composing the Soviet Bloc. And gone was the critique of capitalism save for a general condemnation of the "immorality" of "a society motivated by the drive for private gain and special privilege" (quoted in Zakuta 1964, 170) and the inequality generated by a "growing concentration of corporate wealth" leading to "a virtual economic dictatorship by a privileged few" (169). The focus was shifted to democracy, peace, support for the United Nations, and the extension of public ownership, but only where necessary. Capitalism was, even rhetorically, no longer at issue. The real political challenge for the CCF was not the eradication of capitalism and the construction of the co-operative commonwealth, as the *Regina Manifesto* had proclaimed; rather, the party now faced the challenge of replacing this critique with a program of class compromises seeking to make capitalism work in a more democratic and redistributive manner. In this project, Keynesianism became the official orthodoxy. This programmatic development was not unique to the Canadian social democratic experience. In 1958–59, major European social democratic parties, including the Austrian, Swiss, German, and Dutch parties, transitioned officially to Keynesianism, which meant dropping any use of Marxist terms and analysis in their programs. The

turn to Keynesianism was more than a perfunctory shift in doctrine; rather, it was indicative of a profound change within social democratic parties, marking their evolution from "reformist workers parties into reform parties with worker support" (Van der Linden 1998, 167).

Canadian social democracy was a multi-class movement from its inception. However, in 1958, to underscore the significance of the turn to Keynesianism, the process of embedding a specifically multi-class — as opposed to working/producer-class — politics was provided further momentum by, of all organizations, the Canadian Labour Congress (CLC). At its 1958 convention, the CLC adopted a resolution calling for the creation of a new political party. The resolution stated: "There is the need for a broadly based people's political movement, which embraces the CCF, the Labour movement, farm organizations, professional people and other liberally minded persons interested in basic social reform" (quoted in Knowles 1961, 127). A more explicit statement for a pragmatic centrist and multi-class (and hence declassed) refounding of Canadian social democracy is difficult to imagine. With this resolution, and spurred by the near political oblivion delivered to the CCF in the federal election a few months after the CLC convention, the path toward a post-class New Democratic Party was set. The CLC resolution captured the sense that Canadian social democracy was less about transformative change than about achieving electoral success as a means to implement a program of social reform within the context of a market economy. As noted above, the CCF began its turn to centrism in the early 1940s, but with the *Winnipeg Declaration*, the party set out on its first refoundation as a party seeking to improve the management of capitalism rather than to transform it.

In structural terms, the founding of the New Democratic Party in 1961 sought to more effectively integrate the CCF and CLC into a party that resembled much more closely the electorally successful social democratic parties of Europe, Australia, New Zealand, and Britain in terms of the relationship with the

industrial trade unions. The defining feature of the party-union nexus in the British Labour Party was the opportunity for affiliated unions to send blocs of delegates or blocs of votes to party conventions based on the number of members in each local of that union. Indeed, how trade unions and a social democratic party structure their relationship is a politically important matter, but in the case of the CCF, "no formal rules (governing dues payable, representation, or indeed whether union centrals, federations, or locals could affiliate) had been established" (Archer 1990, 15). The height of trade union affiliation with the party was reached in 1944, when a mere one hundred locals holding a combined membership of fifty thousand were officially affiliated. Illustrating the weakness of the union-CCF nexus is the fact that this represented less than 7 percent of Canadian union members (18).

The 1958 electoral disaster provided the impetus for exploring the creation of a new party with strategically closer links to labour. Despite the founding of the NDP in 1961 with the ostensible purpose of strengthening the union-party link, the CCF's concern with ensuring that the party not become dominated by labour and remain "pluralist" persisted into the formative days of the new party. While both the CCF leadership and organized labour agreed that this new party was to be labour-based, the CCF left was concerned that labour "would move the New Party away from its 'movement' roots and into narrow electoral and reformist politics. Moreover, they feared that labor would be a conservative force within the party, diluting the CCF's prairie socialism, populism and radicalism" (Bernard 1995, 45).

The historical record, however, is clear. Labour would be significant in political and financial terms within the new party but it would not be dominant. And ironically, the tendency toward moderation that more radical elements feared would come to define the party.

The Union-Party Nexus: An Ambiguous Relationship with the Working Class

Given that the very formation of the NDP was intended to "integrate labour and the party more fully" (Archer and Whitehorn 1993, 1), it is necessary to explore the political significance of this relationship to the party. The "privileged" relationship of trade unions is one of the general features of social democratic parties everywhere and is in turn associated with a second characteristic of social democratic parties: their significant electoral base in the working class (Moschonas 2002, 22).

Chris Howell (2001, 7) writes that a "central part of the transformation of European Social Democracy in the period since the end of the 1970s has been a change in the relationship between Left parties and organized labour." In the case of the NDP, there was, from the very formation of the "new party," a practice of containing the potential for the trade unions to exert too great an influence over the party. While it is true to say that a "ubiquitous and progressive loosening of the links between socialist parties and trade unions is currently in progress" (Moschonas 2002, 132), in the case of the NDP, the "loosening" began at its inception.

Leading up to the 2001 NDP convention, party leader Alexa McDonough voiced her support for replacing the traditional delegated convention process to select the party leader, including the delegate allocations for affiliated unions based on their total membership, with a "one member, one vote" system (Chase 2001). Ultimately the convention, with a vote of 69 percent, settled on a compromise amendment that accepted the principle of "one member, one vote" but also guaranteed that affiliated unions would hold no more than one-quarter of the votes (Simpson 2001).

Canadian trade unions never did monolithically embrace the NDP despite its founding objective to strengthen the link between party and labour. The number of rank-and-file members of unions affiliated with the NDP reached a high point in 1963 when 14.6 percent of Canadian unionists were members of NDP-affiliated unions; thereafter, this affiliate member "density" consistently declined (Archer 1990, 37; Archer and Whitehorn

1993, 7). This is hardly an image of social democratic penetration of the Canadian unionized working class, especially compared to Britain, where in 1976 more than 89 percent of UK union members were affiliated with the Labour Party via their union (Archer 1990, 47). Hence, the NDP has been characterized less as a "labour party or a party controlled by organized labour" than as a "social democratic party with links of varying strength to the union movement" (39).

This broad indifference toward affiliation is puzzling given that through the 1960s and 1970s, union membership expanded, particularly as public sector employment grew and the rights to organize and bargain were won. In addition, this indifference set up a political conundrum for the NDP. Not only was "membership in an NDP-affiliated local found to be positively related to identification with and vote for the party," but these individuals were also much more likely than union members whose union was not affiliated to the NDP to view themselves and their politics in explicitly class terms (71). Thus, by extension, the more affiliations, the greater the number of NDP votes. Ironically, given the resistance to a strong trade union presence in the new party, the historic weakness of the union-party nexus for the NDP is a key variable in the general weakness of social democracy in Canada. The reality is that labour, while being a core constituency within the NDP, was never a dominant force: the number of trade union affiliated delegates to party conventions has varied from a high of 32.3 percent of all delegates at the 1971 convention to a low of 17.4 percent in 1981 (Archer and Whitehorn 1993, table 1).

Keynesianism Embraced and Abandoned: New Times, New Social Democracy

The ideological content of the new party expressed a full embrace of Keynesian-managed capitalism and, to underline the point, the new program made no reference to socialism or social democracy (Penner 1992, 93). In this respect, the program was explicitly in favour of a mixed economy; it demarcated a clear

role for the Canadian state in economic development and management operationalized through various advisory, planning, and investment agencies. The party declared itself "the party of full employment" and proposed to achieve this goal through a "guaranteed employment act to ensure everyone a job as a 'social right,' as well as public funds for houses, schools, hospitals, and roads" (quoted in Whitehorn 1992, 53). This reference to "public funds" expressed a dramatic expansion of the broader public sector, which in fact would take place in the last half of the 1960s. In addition, the public planning and investment agencies envisioned by the NDP at its foundation would "promote steady economic growth and full employment without inflation. A new taxation policy would divert funds from private to public investment, redistribute the national income on a fairer basis and help to regulate the pace of economic activity. Corporation taxes would be increased, while lower income groups were promised tax relief" (Avakumovic 1978, 193, 195). Therefore, the NDP was, in ideological and policy terms, entirely consistent with the classical formulation of postwar social democracy as "political liberalism + mixed economy + welfare state + Keynesian economic policy + commitment to equality" (Moschonas 2002, 15).

The Fordist-Keynesian framework, which had provided the material basis for the social democratic welfare state project, began unravelling in the 1970s under the stress of "economic stagnation, inflation and a looming fiscal crisis of the state" (Carroll 2005, 12). What made this a crisis for social democracy was not only that its raison d'être, the redistributive welfare state, was increasingly unsustainable but also that its theoretical framework, Keynesianism, was increasingly inapplicable to the emerging new economic reality. The end result was that "social democracy [was] not what it once used to be" (Upchurch, Taylor, and Mathers 2009, 1).

Jim Laxer, a former federal NDP research director, criticized the party for being "locked in the 1950s and 1960s" through its adherence to "a Keynesian formula long after it had ceased to be a useful guide to analysis and policy" (1984, 2–5). For Laxer,

the problem was that the NDP did not understand how fundamental the changes in the Canadian economy through the 1970s and into the early 1980s were. Laxer (1996, 126–27) argues that NDP policy perspectives "derived from the social democracy of the preceding quarter-century, was that the measures it relied on to achieve economic stimulus . . . were not workable . . . in the globalized economy of the 1980s." The larger backdrop of Laxer's critique was that from the *Winnipeg Declaration* of 1956 through to the founding of the NDP in 1961 and into the 1980s, the party's political program had discernibly evolved away from public ownership as a key means to achieve full employment and replaced this with the technocratic approaches of Keynesian fiscal and monetary policy. Canadian social democracy had not yet come to understand the new politics that was being forged through the process of neoliberal globalization and the resultant social and economic restructuring.

Ideologically and theoretically, the NDP was increasingly confused. With its Keynesian compass growing more unreliable and lacking an alternative understanding of political economy, the party would drift and seek to adapt to, rather than critically assess and challenge, the changing terrain of capitalism.

The Political Economy of the New Social Democracy: The Canadian Terrain

The second postwar refoundation of social democracy has its origins in a structural shift in the political economy that called for a new "social contract." Social democracy is enabled and sustained by two institutional pillars: "internationally immobile capital in the goods producing sector of the economy and a state with sufficient revenue flows to provide a high social wage. In the 1970s and 1980s both these preconditions . . . eroded" (Schwartz 1998, 253). A third pillar is a substantial trade union movement, centred on the industrial working class, that has developed organic links to the mass-based social democratic party. The extent to which this third pillar — the central place of the working class

as the agent of change — can continue to provide the social base for social deoncracy has been questioned in light of "the declining proportion of manual industrial workers in the labour force" (Panitch 1986b, 3).

What happens to a social democratic party when these prerequisites have been eroded? Leo Panitch (1986b, 2) concludes that "reformism was able to retain popular support and programmatic direction when it appeared the system could support it, but it lost a good deal of both when economic conditions and the bourgeois onslaught against previous reformist gains in these new conditions combined to demonstrate how utterly dependent the system . . . is on meeting the requirements set by capitalists." The weakness of social democracy's three pillars has contributed to the impasse of social democratic politics, which has resulted in declining electoral success. Thus, the project to redefine social democracy is an "attempt to transcend both old-style social democracy and neoliberalism" (Giddens 1998, 26).

The search for a "new social democracy" has long had a Canadian variant, with social democratic intellectuals calling for a "social democracy without illusions" before the Third Way movement had officially declared itself (see Richards, Cairns, and Pratt 1991). This was in large part a response to a decline in state fiscal capacity. Budget deficits and accumulated debt of Canada's federal and provincial governments began to expand dramatically through the 1980s and onward. The federal government's gross debt grew from $123.5 billion in 1980–81 to a record $713.6 billion in the fiscal year 1999–2000 (Canada 2008). For the three NDP-governed provinces in the early 1990s — Ontario (1990–95), Saskatchewan (1991–2007), and British Columbia (1991–2001) — the economic context combined with shrinking transfer payments forced them to make revealing choices. In short, rather than engage in activities to mobilize workers, especially the unorganized, and to build the party as a left-reformist alternative to neoliberalism, the NDP chose to adapt to the conditions presented. This included a centrist shift as a means of broadening its electoral coalition not just beyond the industrial

working class but instead of it. In policy terms, this was most clearly marked by a sharp turn toward fiscal conservatism and public sector austerity.

The core political base of postwar social democracy was to be found in "an organic relationship between a dominant socialist or social democratic party and the trade unions. . . . A harmonious and complementary relationship was established based on a division of labour in which the party pursued the politics of state and the unions conducted the politics of civil society" (Upchurch, Taylor, and Mathers 2009, 2). Elsewhere, this arrangement has been aptly termed the "labour-movement party" (Martin 1975).

The problematic of this nexus comes to the fore with the transition to post-Fordist forms of work organization dominated by smaller workplaces and the growth of service employment relative to industrial production. Both of these dimensions are characterized by dramatically lower union membership (Pontusson 1995), and if we accept the political centrality of the trade union link to social democracy's ideological, organizational, and cultural existence, then such economic structural changes have important implications for social democracy. The problem with the weakening of the union-party nexus is not that there are fewer working-class voters but rather that the efforts to adapt social democracy to the conditions of post-Fordism can be seen as a restating of Adam Przeworski's "dilemma of class-based parties." Their electoral success, the argument goes, can only be built through multi-class alliances, which are won at the cost of "diluting its class orientation" (1985, 102). Przeworski's problematic is something of a misreading of class in that he appears to confine this to the industrial unionized workers. But the problem of declining trade union density is significant given the fairly strong correlation between union membership and votes for social democracy.

The mix of occupations has shifted rather markedly in Canada from the primary and secondary sectors — where the industrial working class is employed in manufacturing, mining, and forestry— and sharply toward the service sector. In 1960 the primary

and secondary sectors accounted for 46.7 percent of all employment. By 1999 this had been reduced to 26 percent. In contrast, over the same period, the service sector grew from 53.4 percent to 73.9 percent of the total share of Canadian employment (Roberts et al. 2005, table 2). Trends in unionization have tracked this occupational and sectoral shift as the union-dense industrial sector shrank relative to the union-weak service sector.

Canadian union density reached its historic zenith in 1987 with an overall density of 34.2 percent (Akyeampong 2004, 6). By 2011 this had dropped to 29.7 percent (Uppal 2011, 3). This decline masks more serious changes in the composition of trade union membership. Within the private sector, the density declined from 29.8 percent in 1981 to 17.4 percent in 2011 (Morisette, Schellenberg, and Johnson 2005, table 2; Statistics Canada 2006; Canadian Labour Congress 2012). In certain industries — notably resource extraction (forestry, mining, oil and gas) and manufacturing, the historic bedrock of industrial trade unionism — an even more precipitous decline is evident: union density in these two industrial sectors declined from 46.0 percent and 43.9 percent, respectively, in the late 1980s to 20.2 and 24.1 percent in 2010 (Uppal 2011, 8).

Such declining levels of union density, particularly in the social democratic heartland sectors of the industrial working class, combined with a substantial occupational shift into services, have compelled a rethinking of centre-left political strategy. What has been questioned is the central role of the working class as an agent of political change (Panitch 1986b, 3) or, perhaps more accurately, as the essential electoral base for a party seeking to win government. Ed Broadbent, the longest-serving leader of the federal NDP (1975–1989), contemplated how social democracy might adapt to the shifting socio-economic terrain of post-Fordism: "New approaches must take into account the radical change in the nature of families, the expanding role of women in the economy, and the reduced need for unskilled blue-collar workers. The negative effects of large public and private bureaucracies must also be countered" (1999, 90).

The Problem of Class Identity

Studies of Canadian voting behaviour over the past forty years have consistently demonstrated the low level of class-based voting in comparison to other Western liberal democracies. Indeed, religious and regional cleavages regularly appear to be a more salient factor in voter determinations than class (Alford 1963; Gidengil et al. 2006; Pammett 1987). The lack of class-based voting among the Canadian electorate is particularly pertinent to the NDP, as it is purportedly a political vehicle for the working class. However, even among NDP voters, class has proven to be a marginal concern in determining electoral support for the party. While class is not inconsequential to NDP support, past studies have demonstrated a relatively weak relationship between working-class identification and support for the party (Pammett 1987; Gidengil 1992). Similarly, although union membership does increase the likelihood of voting NDP, Archer (1985) concludes that the overall electoral impact of the union vote is relatively small.

NDP electoral results appear only to confirm such conclusions. Working-class and union members are at least as likely to vote for conservative parties. In the 1997 federal election, the NDP secured the support of only 8 percent of manual workers, while fully 29 percent voted for the populist right-wing Reform Party (Gidengil 2002, 283). Similarly, 20 percent of union members chose Reform in 1997, while only 15 percent opted for the NDP (282). Equally disconcerting for the NDP was the flight of public sector workers — traditionally a bastion of NDP support — toward Reform in the 1997 election (282). These trends appear to have continued into the 2000 election, with Liberals winning 41 percent of union members' votes; the Canadian Alliance, 27 percent; and the NDP, 12 percent. In other words, 88 percent of union members voted for parties other than the NDP ("Why the NDP" n.d). While the NDP managed to regain a significant amount of union support in the 2004 election, its 28 percent of the union vote still trailed the 30 percent of union members that the Conservative Party garnered (Gidengil et al. 2006, 9). Moreover,

manual and non-manual workers voted the same as they had in the past, with income a minor factor for the NDP. While people with low household incomes were more likely to vote NDP than those with high incomes, these effects were offsetting and the net impact on the NDP vote was minimal (9). Thus, while the 2004 election revived the NDP to its traditional level of support (18 percent), it remains without a deep class basis.

In comparison to the social democratic parties in Europe, Australia, and New Zealand, the NDP's political links to the working class are clearly, in general terms, tenuous. Yet although the party, while significant, is far from hegemonic within the Canadian working class, it cannot be denied that within regional pockets, the NDP is very much the "labour party." In northern Ontario, Winnipeg and northern Manitoba, Vancouver and Vancouver Island, Hamilton, and Windsor, the NDP is electorally successful. These are also cities and regions with a history of class-based politics marked by significant union membership. The NDP may not be a class party but it is a qualified and uneven party of the class.

The NDP's heterogeneous class composition has contributed to a characterization that the party is "bifurcated" (Archer and Whitehorn 1997, 52). This refers to a clear socio-economic divide between the party's union and non-union convention delegates. Surveying 1987 federal convention delegates, Archer and Whitehorn found that 58.4 percent of non-union delegates were professional or "white collar" workers who reported "levels of education far above those of a cross-section of the Canadian public." In contrast, more than half of union delegates possessed no more than a high school diploma (52). The class identification of these delegates reflected these differences: more than 40 percent of union delegates identified themselves as belonging to the "working class" compared to 21.4 percent of non-union delegates (54). And on the most salient question for any socialist, the question of the centrality of class struggle, 54 percent of delegates agreed that class conflict was the primary basis of political struggle while a full one-third disagreed. This in itself is an interesting

indicator of a certain degree of de-classing of Canadian social democratic politics, but it becomes much more pronounced when union and non-union delegates are compared. Of the 54 percent of delegates who agreed that class conflict was central to Canadian politics, almost 61 percent were union delegates while 52.5 percent were non-union delegates (54).

Lynda Erickson and David Laycock's 1997 Canadian Social Democracy in Transition survey, perhaps the most comprehensive study of the attitudes and opinions of NDP members ever conducted, came to very similar conclusions. In an analysis based on the survey, Erickson and Laycock (2002) described the challenges confronting the Canadian NDP in the 1990s as not fundamentally dissimilar to those of other social democratic parties. For social democrats everywhere, the political environment had been fundamentally altered by two developments. First and foremost was the relative "popularity" of the New Right's hegemonic orthodoxy, which entailed privatization and deregulation, a reduction in public expenditures and taxes to fund public services, and a reduction in social program entitlements. In response to the shifting political terrain, social democrats elsewhere have reconsidered both the role of the state in economic management and the commitment to egalitarianism. Erickson and Laycock's survey found that New Democrats resolutely supported egalitarian values and redistributive policies, and showed little interest in reducing the state's role in social change. However, it is significant that support for expanding public ownership appears to have declined rather dramatically when compared to a survey from 1989, which found that 79.1 percent of delegates supported a policy of expanding public ownership throughout the economy (Archer and Whitehorn 1997, 134). In contrast, the 1997 survey appeared to indicate that support among New Democrats for this policy direction had declined rather substantially to 42 percent (Erickson and Laycock 2002, 310). This apparent decline in support for public ownership among Canadian social democrats may well be indicative of an ideological shift consistent with social democracy more generally.

NEW DEMOCRATS IN POWER: "THERE IS NO ALTERNATIVE"

As of 2011, the CCF-NDP has demonstrated the electoral capacity to form government in five provinces and one territory: Saskatchewan (1944–64, 1971–82, 1991–2007), British Columbia (1972–75, 1991–2001), Manitoba (1969–77, 1981–88, 1999–present), Ontario (1990–95), Nova Scotia (2009–present), and the Yukon Territory (1985–92, 1996–2000). Where New Democrats have been elected to government, especially in the last two decades, they have been hardly distinguishable from other pragmatic centrist governments operating in an age of neoliberalism. Proximity to government power in certain provinces may explain, for example, why "Saskatchewan and British Columbian members appear to be the most consistent anchors for what may count as the political right in the party" (Erickson and Laycock 2002, 316).

In 1990 and 1991, New Democrats were elected to government in Ontario, Saskatchewan, and British Columbia. Leo Panitch and Donald Swartz (2003, 104) asked whether this convergence of electoral victories could "set a new agenda that would make a break with the era of coercion." But this was not to be. The "tragedy of the NDP," according to Panitch (1992, 174–75), was that, save for the Saskatchewan wing, the party did not govern during the founding years of the Keynesian welfare state project but instead came into a governing role "at the end of that era." The previous decade of the 1980s was transformative in that it was witness to the ascent of neoliberalism to hegemonic orthodoxy. Social democratic governments everywhere provide examples of what "modern" social democracy does when in government: welfare state restructuring, including privatization and an abandonment of redistributional social and economic policies, have become part of the policy toolkit of the "new" governing social democracy.

Ontario: Social Democracy's Conversion to Progressive Competitiveness

The New Democrat government of Bob Rae (1990–95) presents something of a Canadian case study of the ideological confusion within social democracy. After its election victory, the NDP in Ontario initially attempted to apply Keynesian demand stimulus measures, but they moved rapidly toward fiscal conservatism and a program intended to shrink the public sector. And thus the impasse of social democracy found its Ontario expression.

Abandonment of Keynesianism by the Ontario NDP is typically identified with the *Social Contract Act* of 1993. This legislative intervention rolled back public sector wages and led to a major split between the party and its public sector union allies as well as the Canadian Auto Workers union. However, in historical perspective, this was simply the denouement of a process of ideological rethinking that began before the NDP became the governing party. In 1988 the Ontario NDP's economics critic in the legislature, Floyd Laughren, initiated an economic policy review by consulting with a group of leftist intellectuals. Their contributions reflected a tension between progressive competitiveness and class perspectives. For the most part, the exercise was not taken seriously (Walkom 1994, 93). However, the lack of consensus with respect to direction was but one problem with the party's attempts to build robust economic policy. Another was that this rethinking took place in the late 1980s, when the province was in "a relative boom, so that the underlying crisis of permeable Fordism was harder to perceive" (Jenson and Mahon 1995, 160). Riel Miller, who had organized the policy review, wrote a follow-up paper for the Ontario NDP caucus's Planning and Priorities Economic Subcommittee, wherein he proposed a total break with social democracy's Keynesian tradition. The redistribution of income and wealth was no longer the role of the state; rather, the state must work to improve "social productivity," which would be achieved, according to Miller, "by establishing a network of 'social contracts' with 'representative organizations' such as unions, the women's movement, environmentalists, and

aboriginal groups. These social contracts would not be the European style agreements over wages, employment and inflation. . . . Rather, the NDP should negotiate specific social contracts about 'tangible legal rights and economic and social programs.' Areas to be negotiated would include pension-fund management, labour relations, environmental policy, training and public services" (quoted in Walkom 1994, 95). Two years later, Bob Rae led the Ontario NDP into government as Ontario entered the deepest recession since the 1930s. They soon discovered they had inherited a deficit of $3 billion, which by the time of the NDP's first budget in 1991, had grown to $9.7 billion (Ontario Ministry of Finance, 1991, 3).

In policy terms, the Ontario NDP maintained the progressive competitiveness approach initiated by the former Liberal government, but with the election of the New Democrats, it was to become much more clearly articulated (Bradford and Stevens 1996, 147). A clear role for the state as a "market reinforcing rather than market replacing" actor is envisioned by progressive competitiveness approaches (Howlett and Ramesh 1993, 172–85). Neocorporatist partnerships are central to a more robust role for the state in "supporting and promoting adjustment to the new realities of a global economic system. . . . Much of this activity lies in facilitating technological adaptation, promoting human capital development through increased emphasis on training, and orchestrating partnership between business, labour and government to pursue competitiveness" (McBride 1995, 75). Whereas the corporatism of social democratic Keynesianism was designed to negotiate tradeoffs between full employment and inflation through public policy interventions such as negotiated wage controls and expansion of the range of public goods and services, post-Keynesian neocorporatism became a means to enlist the support of key economic actors in the drive to improve competitiveness.

Ontario's first NDP budget, delivered on 29 April 1991, sent two unequivocal messages regarding economic change and fiscal policy. It looked back toward a Keynesian past and, arguably,

forward to a future of progressive competitiveness informed and shaped by human capital theory. Finance Minister Floyd Laughren told the legislature: “We believe that government can and should be active in supporting positive economic change and in ensuring that the costs of adjustment are shared fairly.” He went on to say, “It is important for people to understand that we had a choice to make this year — to fight the deficit or fight the recession. We are proud to be fighting the recession” (Ontario Ministry of Finance, 1991, 1, 3). The progressive competitiveness theme was most clearly expressed in Budget Paper E, in which the government’s economic policy goal was identified broadly: “Ontario must promote equitable structural change through comprehensive economic and social strategy aimed at sustainable prosperity” (86). However, the paper explicitly dismissed more aggressive flexibilization strategies associated with the New Right, saying that “Ontario cannot afford the rigidity induced by policies which focus on cutting wages and eroding public sector contributions to productivity” and that federal government policies of this nature lead “neither to higher incomes nor to an enhanced capacity to adapt” (87). The paper argued for an alternative approach in which “government is to play a role as facilitator of structural change, not only to minimize the costs of transition and distribute them more fairly, but actively to promote the development of high-value added, high-wage jobs through strategic partnerships” (87).

More concretely, this would mean policies that support long-term competitiveness, the key elements of which included “the ability to improve productivity performance, the skills and adaptability of the labour force, the quality of management skills, the capacity for technological innovation, organizational flexibility and a strong foundation of physical and social infrastructure” (87). The Ontario state would perform a central role in facilitating these outcomes by constructing “new institutions for social learning and partnership development” (Bradford and Stevens 1996, 148) such as the Sectoral Partnership Fund and the Ontario Training and Adjustment Board, announced in the 1992 and 1993

budgets, respectively — budgets that both expressed and enabled the new industrial policy regime.

The turn to progressive competitiveness was short-lived since the NDP was unable to withstand pressures to shift its focus toward a policy of public sector austerity. The ensuing *Social Contract Act* constituted the most abrupt rupture with Ontario's postwar history. Never before had public expenditures been so deeply cut. Despite the NDP government's distinctive "mixture of post-Keynesian rhetoric and proposals designed to elicit union consent" (McBride 1995, 78), ultimately it was single-mindedly focused on public expenditure cuts and marked Ontario's most explicit adaptation to the requirements of neoliberalism. It was, in fact, a turning point in the history of social democracy in Ontario and Canada. On 28 April 1995, Premier Rae called an election for 8 June. The political repercussions for the New Democrats were harsh: they saw their share of the popular vote fall to less than 21 percent and returned only seventeen MPPs. The Progressive Conservatives, campaigning on the themes expressed in their campaign manifesto with the Gramscianesque title of "The Common Sense Revolution," jumped from 24.7 percent of the vote and sixteen seats to 44.8 percent and eighty-two seats. The logic that the social democrats had put in motion was now about to be played to its conclusion.

Only in the 2011 election did the Ontario NDP recover from the decline in support that followed the Rae government. In the general elections of 1999, 2003, and 2007, the party's vote trawled historic lows, winning 12.6 percent, 14.7 percent, and 16.8 percent, respectively. The result has been a paucity of legislative seats; winning more than ten seats has proven elusive. This belies a history of healthy third-party status and, on occasion, the possibility of more. In general elections from 1967 to 1987, the Ontario NDP averaged one-quarter of the popular vote and formed the Official Opposition following the elections of 1975 and 1987. What fractured the electoral base of the party was more than the divisions created by the *Social Contract Act*. Public policy is concerned with decisions to act as well as not to act, and the

Ontario NDP made important decisions not to act. The government did not pursue a fundamental overhaul of the *Employment Standards Act* — the "collective agreement of the unorganized," as it is known. Expansion of minimum wages, vacation time and hours of work, workplace governance, and enforcement for the unorganized may well have helped build and strengthen a political coalition. In addition, broader-based bargaining — that is, a mechanism whereby the benefits of collective bargaining could be expanded throughout a sector — was not seriously considered. And, of course, the abandonment of the long-standing party commitment to a publicly owned auto insurance system signalled that there was little integrity to Ontario's social democratic project. The entire NDP episode in Ontario was indeed a case of "giving away a miracle" (Ehring and Roberts 1993).

The general election of 2007, the third post–Rae era campaign led by Howard Hampton, signalled that the political base was drifting given the inability of the party, more than a decade after the end of the Rae government, to reconstruct itself as a viable alternative for voters. The vote increased a mere 2.1 percent over the 2003 total. The party's empty campaign slogan of "Go Orange" was without content. The party platform did not offer a new vision of how to tackle industrial decline, economic polarization, sustainable development, or an alternative energy policy; instead, it proffered a narrow set of six proposals: a $450 health tax rebate; an immediate increase in the minimum wage to $10 per hour; more stringent environmental regulations; an added $200 per student to the education budget; a tuition fee rollback; and improved home care. All were laudible measures, but they were completely contained and lacked any overarching policy framework. The result was that the Green Party clearly became the party of protest, gaining 3.7 points for a total of 8 percent. More significantly, the re-emergence of a Liberal-Labour alliance that began with the 1999 election and then became sustained and deeper threatened not only the NDP's political fortunes but also its capacity to put forward any sort of class politics. A coalition of unions under the banner of Working Families Coalition

(comprising the Canadian Auto Workers, two teachers' unions, and the building trades) campaigned on issues that could easily be understood as an endorsement of the Liberal record (Evans and Albo 2007). In fact, between 2000 and 2003, "union donations to the Ontario Liberal party surpassed union donations to the Ontario NDP" (Savage 2008, 178). In programmatic terms, it is unclear whether Ontario's social democrats are different from the Third Way–informed Liberals in any meaningful way. And it is uncertain if the NDP is even able to rethink itself in such a way as to differentiate itself from "moderate" neoliberalism.

The NDP Western Base: Manitoba, Saskatchewan, and British Columbia

Three of the four provinces west of Ontario have provided the NDP with its greatest electoral success at the provincial level. What makes the western bastions of the NDP particularly interesting is that Canadian social democracy had an opportunity in two distinct historic moments to show what it would do with power in all three provinces: first in the early 1970s, just as the Keynesian era was about to head into crisis, and second in the 1990s, during the high-water mark of neoliberalism. The comparison of the two is instructive as a demonstration of continuity and adaptation of the Canadian social democratic experience to the shifting terrain of liberal capitalism — whether essentially Keynesian or neoliberal.

The three NDP premiers of the early 1970s — Ed Schreyer (Manitoba, 1969–77), Allan Blakeney (Saskatchewan, 1971–82), and Dave Barrett (British Columbia, 1972–75) — shared both a "common indifference to ideology" and a policy agenda focused on "cautious income redistribution, improved public service and a pay-as-you-go fiscal orthodoxy" (Morton 1977, 147, 148). For Canada's social democratic provincial governments, this was a defining period. The inflation controls proposed in late 1975 by Prime Minister Trudeau, while rejected by the federal New Democrats, were supported by the NDP governments of

Manitoba and Saskatchewan. Even the BC NDP, defeated shortly before Trudeau's announcement, offered contingent support (194). It was this juncture that portended a growing rift between labour and its political arm (Brown, Roberts, and Warnock 1999, 26). The real issue was not simply that the trade unions and the NDP governments had a policy difference. More significantly, it was a policy difference rooted in what was to be fundamental restructuring of state-labour-capital relations that would be played out for decades to come. Leo Panitch and Donald Swartz (2003, 29) frame the era: "The wage controls imposed in 1975 coincided with the inauguration of monetarism as the guiding practice of monetary policy in Canada, while fiscal policy in the last years of the 1970s showed a growing tendency to belt-tightening."

Saskatchewan's Transformation: From Agrarian Socialism to Neoliberalism

The experience of NDP governments in Saskatchewan is a study in contrasts as well as an expression of social democratic adaptation to the requirements of capitalism, whether Keynesian or neoliberal. The Blakeney government of the 1970s was the last traditional Keynesian social democratic government in that province. Romanow's government of the 1990s was a stark rejection of that "old" social democracy. The case of Saskatchewan, where the NDP was the "natural governing party," is instructive in demonstrating that the Canadian social democratic project has not been an exception to the more general transformation of social democracy.

Warnock (2004, 366) sums up the programmatic and policy content of the Blakeney government as follows: "The NDP government under Allan Blakeney expanded the role of the government in the economy. Resource extraction industries were enhanced, and the government used higher taxation, private-government joint ventures and Crown corporations to significantly increase the share of resource rents going to the provincial government.

New social programs were introduced. The minimum wage was set as the highest in Canada. Social assistance rates were raised significantly. Trade union membership increased." While the "commanding heights" of the economy were never under public ownership in Canada, Blakeney's government employed public ownership as an economic development instrument in efforts to diversify the province's economy. A rather dramatic expansion of the public sector took place between 1971 and 1976, with the establishment of six new Crown corporations: FarmStart Corporation, SaskMedia, SaskComp, Saskatchewan Development Fund, Saskatchewan Housing, Potash Corporation of Saskatchewan, Saskatchewan Oil and Gas Corporation, Saskatchewan Trading Corporation, and Saskatchewan Mining Development Corporation (Rediger 2004, 104). And this was in addition to existing Crowns such as SaskTel, SaskPower, Saskatchewan Government Insurance (SGI), and the Saskatchewan Transportation Company (STC).

Still, there were signs even during this golden age of Canadian social democracy of a shift in the class composition and ideological orientation of the party. Through the 1970s, the leadership of the party was drawn increasingly from the ranks of the professional middle classes: "middle level civil servants, lawyers, teachers, credit union and co-op bureaucrats and often professional and middle managers" (Brown, Roberts, and Warnock 1999, 26). In 1975, Blakeney's support for wage and price controls drew criticism from the trade unions, but the relationship with labour reached a breaking point in 1981, when the NDP government introduced, and later passed, the *Labour-Management Dispute (Temporary Provisions) Act.* The legislation was a response to a very specific workplace conflict that had led to cancer treatment clinic workers taking legal strike action. While the legislation ended the strike by ordering these workers back, it was drafted in such broad terms that it could be applied to any strike (Leyton-Brown 2006). The Saskatchewan labour movement was outraged by this intervention and vowed not to support the NDP in the impending provincial general election,

an important factor in the defeat of the Blakeney government (Brown, Roberts, and Warnock 1999, 26).

In 1991, under the leadership of Roy Romanow, the NDP returned to power, but this was a very different party from that of the 1970s. The Saskatchewan NDP campaign focused on eliminating the $5.2 billion provincial debt and balancing the province's public finances. The new government's first budget of 1992 signalled that this would be a different form of social democracy. Rather than rolling back the privatizations and regressive tax policies of the previous Conservative government, the Romanow government pursued the same general approach to public policy, including lowering the taxes and royalties of resource companies. Government revenues therefore proved insufficient to support both the objectives of achieving a balanced budget and supporting social programs. Consequently, the government shrank social programs, resulting in the closing of fifty-two hospitals, a reduced education budget, and the capping of social assistance rates at their 1982 levels. But more than this, and further marking a distinct turn from the reformism marking previous NDP governments, Romanow was not concerned with substantively improving the legislative protections for workers. His government broke public sector worker strikes and allowed what had been one of the highest minimum wage rates in the country to fall to one of the lowest (Warnock 2004, 369–70, 373).

A discernible shift took place in Saskatchewan's social democracy in the 1990s, marked by the ascent of a much more market-oriented approach to economic policy. As economist Peter Phillips (1998, 46) characterized it, "the approach was broadened from the more traditional industrial development model toward an enabling, climate setting strategy. Instead of programs and investments, successive governments have tried to make the province and its policies more attractive to investors." Underlining the break with the social democracy of Blakeney's government, the policy continuity of "successive governments" was that of the Conservative and NDP governments of the 1980s and 1990s.

A significant policy document issued by the Romanow government in 1992 and titled *Partnership for Renewal: A Strategy for the Saskatchewan Economy* set out the policy framework for the "climate setting" referred to above. It envisioned a path to economic development that differed starkly from the Blakeney government's deployment of Crown corporations. Instead, economic policy-makers would seek to reduce regulations and taxes to encourage private sector investment; furthermore, there would be no renationalization of the privatized Crown corporations, nor would new ones be created. The minister of Economic Development, who released the report, said: "We will establish a much more focused approach to economic development, where business people are treated a little easier" (quoted in "Saskatchewan Unveils" 1992; see also Yeates 2001, 60). The market, not the provincial state, would lead the province's development (Fernandes 2003, 6). In 1996–97 the government launched a full-scale review of its five major Crown corporations in addition to other entities in which the government had a significant investment. This substantive review included an academic conference held in Regina in 1996. The process ended with a report, *Saskatchewan's Crown Corporations: A New Era*, released in June 1997. It recommended that four of the Crown corporations — those concerned with electricity, auto insurance, telephone communications, and natural gas distribution — remain publicly owned. However, it recommended a policy of commercialization whereby Crown corporate governance and operations would be structured to allow greater management flexibility in strategic and human resources policies in order "to be responsive to shifting market conditions and succeed in an era of increased competition and deregulation" (quoted in McGrane 2006, 7). In practice, this meant that ministers were removed from the governing boards of the Crowns and the Crowns began to operate in other provinces — and, indeed, outside of Canada — providing their services on a for-profit basis (Warnock 2004, 371; McGrane 2006, 7).

A scaled-back privatization agenda continued. The government sold its equity in four companies — the Potash Corporation

of Saskatchewan, Sask Oil, Cameco, and the Lloydminister Heavy Oil Upgrader — and Sask Forest Products was sold to MacMillan Bloedel. What's more, the government removed the limits, imposed by the previous Conservative government, on how much of the privatized Crowns could be bought by foreign investors (Warnock 2004, 371).

In the aftermath of the 2003 general election, in which the NDP won re-election with a larger share of the popular vote than they had had before the election, Erin Weir (2004, 1) questioned whether the returned government would pursue a social democratic agenda, which he defined as creating a policy program of expanded public services and a progressive redistribution of wealth. In a trenchant analysis of the Romanow-Calvert governments, Weir stated that the "government of Saskatchewan has moved in the opposite direction in recent years by cutting income taxes and resource royalties" (3). Under Premier Romanow, resource royalties were lowered from 27 percent, which had been established by the previous Conservative government, to 17 percent; the decrease had the effect of financing private sector expansion "by foregoing millions of dollars of royalty revenues every year" (4–5). The loss of revenue as a result of the cuts to income taxes and resource royalties ensured that the Saskatchewan government did not possess the fiscal capacity to act on the defining features of social democracy — improving and expanding public goods and services as part of a program of resource redistribution (10).

The transition to neoliberalism in Saskatchewan can be seen, in retrospect, in certain actions of the Blakeney government, but this process was consolidated by the NDP governments led by Roy Romanow and his successor, Lorne Calvert (Warnock 2004, 381). In the Canadian context, no other case so vividly presents the neoliberalization of social democracy as does Saskatchewan, given the stark comparison between two governments of the same party representing very different eras in the history of social democratic governance. Perhaps more significantly, the two governments of Blakeney and Romanow-Calvert point to

the dependence of social democracy on capitalist economic development. As capitalism transforms, so does social democracy.

Manitoba: From "Old" Social Democracy to "Today's NDP"

Manitoba was the second province in Canadian history to elect a social democratic government — that led by Ed Schreyer from 1969 to 1977. A certain policy continuity linked the governments led by Schreyer and Howard Pawley (1981–88), who were more traditional Keynesian-era social democrats than Romanow or Calvert, although Pawley clearly governed at a time when neoliberalism was in the ascendant, if not hegemonic. Gary Doer's government (1998–2009) was much more akin to that of Romanow, providing a second case study in the neoliberalization of Canadian social democracy.

Ed Schreyer's government introduced several important reforms serving to decommodify certain goods and services. For example, the Manitoba NDP established comprehensive pharmaceutical insurance for seniors as well as universal not-for-profit nursing home care, a minimum income program targeting the working poor, and an unprecedented "equal pay for equal work" provision in labour law to end pay discrimination based on a worker's sex (Bernard 1991, 145). However, as with Blakeney, Schreyer's support for Trudeau's anti-inflation wage-controls program engendered a sharp rebuke from labour. Despite the relative caution of the Schreyer government, eight years of NDP government was enough to galvanize the Manitoba business community behind the Conservative Party led by Sterling Lyon. Lyon was an unrepentant neoconservative and, in Canadian terms, somewhat ahead of his time. In particular, his government reduced spending on popular social programs and, in doing so, engendered a political backlash such that the Conservative government was broadly seen to be "hostile to the aspirations of ordinary people" (Chorney and Hansen 1985, 11). For the NDP, the actions of the Conservative government pushed explicitly class-based issues to

the fore in Manitoba. In the ensuing general election of 1981, the NDP, now led by Howard Pawley, modelled its policy agenda on that of Blakeney's NDP government in neighbouring Saskatchewan. Public ownership was put forward as a means of promoting economic development and to position the provincial government as a "resource entrepreneur" (Netherton 1992, 194). Indeed, upon winning the election and returning to government, the NDP established a new Crown corporation – ManOil, modelled on the Saskatchewan Oil and Gas Corporation – as well as several other resource development corporations mandated to develop the province's north (Wesley 2006, 10). At the same time, the Pawley government was very explicit in saying that "it would not seek to strike out on radical paths of either nationalization or of large-scale public spending" (Chorney and Hansen 1985, 12).

In addition to employing the power of the provincial state toward economic objectives, the Pawley government brought forward a number of significant reforms in labour law, including new regulations preventing the use of strikebreakers, the establishment of a legal right for striking workers to be reinstated at the conclusion of a strike, a new pay equity act, an amended *Employment Standards Act* to provide for paternity leave and improved mass layoff notification provisions, and the establishment of final offer selection binding arbitration in the *Labour Relations Act* (Panitch and Swartz 2003, 115). Still, many of these reforms were rather modest and were already in place in non-NDP provinces such as Ontario.

Despite these nods to more traditional postwar social democratic reforms, the Pawley government "slipped into the crisis of social democracy" as it possessed neither the fiscal resources nor sufficient political conviction to pursue a comprehensive strategy of economic development through public ownership. Perhaps more pointedly, the Pawley government was "cautious and at times fearful of the political consequences of policy innovation" (Netherton 1992, 195). In 1986 the Pawley government was returned, but only barely, as its majority in the legislature was reduced to two seats. The ongoing provincial government

deficits and debt became a political issue, and the government turned to a program of public expenditure restraint (198). The NDP's defeat in the 1988 election arguably marked a historic watershed: the last modestly Keynesian social democratic government in Canada came to an end (Netherton 2001, 222). As in Saskatchewan, a rather different NDP would be constructed in Manitoba over the next decade.

Gary Doer explicitly modelled his politics on that of Tony Blair and the Third Way. In more than twenty years as party leader, and as premier since 1999, he has successfully transformed the party that now describes itself as "today's NDP" so as to differentiate it from the "old" social democracy linked to public ownership and redistributive policies (Lett 1997, 1998). Leading the NDP in his second election campaign in 1995, Doer's most significant commitment was that an NDP government "would not raise any of the major personal tax rates." The election platform proposed that the NDP would seek to make the tax system more "fair," expand the roles of nurses in delivering health care, and update the *Environment Act*, but these pragmatic reforms were all predicated on no increase in public expenditures (Carr 1995). Although the NDP did not win the election, it did gain three seats for a total of twenty-three.

Doer led the party back into government in 1999 and further succeeded in winning majority governments in the general elections of 2003 and 2007, placing the Manitoba NDP under Doer among the most electorally successful provincial parties in the history of Canadian social democracy. The three consecutive Doer-led NDP governments led to important but modest changes that in no way sought to challenge the interests of capital. As left-wing critic Cy Gonick (2003, 5) noted, "Even within the limits of a social-democratic framework, the Doer government is hamstrung by its choice to accept the neoliberal economic regime it inherited from the far-right Tory government." The political strategy of the Doer NDP thus entailed an economic policy that was largely consistent with the interests of Manitoba capital, keeping those interests from mobilizing politically

against the NDP. But in addition, to keep the NDP base intact, the Doer government would "do just enough to sustain support from the province's working class and poor" (Gonick 2007, 12). Reflecting the modest themes of the NDP's successful election campaigns, the Doer government initiated reforms that are not unimportant, although perhaps uncontroversial. These include:

- regularized increases in the minimum wage
- a long overdue review of the *Employment Standards Act*, which had not happened since the 1970s
- extension of minimum wage and the *Employment Standards Act* protections to agricultural workers and a commitment to extend workers' compensation coverage
- a new minimum wage for construction workers
- the introduction of a province-wide wage scale for all industrial, commercial, and institutional construction projects to mitigate the wage-cost difference between union and non-union contractors
- expansion of the availability of daycare
- reinvestment in health care
- reduced university and community college tuition fees
- a commitment to transferring child welfare responsibilities for Aboriginal peoples to Aboriginal agencies (Chaboyer, Black, and Silver 2008, 2; Gonick 2003, 5)

But a more innovative social democratic agenda was the path not chosen as a result of previous NDP decisions. A very clear continuity with previous Conservative decisions and a general alignment with twenty-first-century neoliberalism were evident in the decisions of the Doer governments.

Leading up to the 2008 budget, critics charged that previous NDP governments had eliminated nearly $1 billion from the Manitoba treasury through tax cuts of various sorts, resulting in an inability to adequately fund public services. It was

noted that the rate of child poverty in Manitoba (at 20 percent, the second highest in Canada) had remained unchanged from what it was in 1989, nearly twenty years earlier. Moreover, into its third consecutive majority, the NDP continued the freeze on social assistance rates first initiated by the former Conservative government in 1995. The result was an effective 35 percent reduction in income support for the poorest Manitobans (MacKinnon and Black 2008, 1). Indeed, the 2009 budget offered more of the same, reflecting a "decade long obedience to zero deficits, improved credit access for business and lower taxes" (Webb 2009, 10).

Balanced budget legislation, another legacy of the former Conservative government, was retained. This legislation prohibited running a deficit and required that any increase in taxation must first be approved in a plebiscite. It also required that the government make a $75 million annual "pay down" on the provincial debt. Similarly, labour law changes made under the Conservatives were left largely intact when Manitoba's business community mobilized against a mere suggestion of a review by the NDP (Gonick 2003, 5; 2007, 12). And, perhaps reflecting a more general international trend of social democracy delinking from labour, in 1999, well ahead of the federal Liberal government's elections-finance reform of 2003, the Doer government launched a fundamental overhaul of elections financing in Manitoba. This initiative served to minimize the role and position of trade unions as a critical pillar to the financing of the NDP's political and electoral work. The changes to the *Elections Finances Act* banned financial contributions from unions (and corporations), restricted election advertising to registered parties and candidates, and limited third-party election spending to five thousand dollars. With this measure, the loosening of the organic link with labour progressed rather significantly.

Cy Gonick (2007, 12) has characterized the NDP under Doer's leadership as having been transformed into that province's liberal party. The history of the NDP governments in Saskatchewan and Manitoba closely parallels this expression of the

neoliberalization of social democratic governance. In all cases, class politics has been relegated to the margins as much as is politically possible, save for certain actions to sustain the loyalty of the working class. Of course, this is a careful calculation, as the Doer government demonstrated in action: it did not go so far as to undermine the broad (and therefore winning) centre-left electoral coalition that Doer and the Manitoba NDP had constructed. How does the Doer (and Romanow) success square with Harold Chorney and Phillip Hansen's contention that "a social democratic party is more likely to be successful when class issues are salient than when they are de-emphasized" (1985, 2)? One response may be that a crisis for capital only arises when the working class is sufficiently mobilized and organized to create a crisis. If this element does not exist or is tepid, then even social democrats are compelled to change what they are capable of doing when holding governmental power.

British Columbia: Farewell to Class Politics

British Columbia politics have historically entailed a significant class dimension in that "conflict between the owners of capital . . . and the workers" has been more consistently and sharply a terrain of struggle than in the other provinces (Penner 1992, 127). This was demonstrated in electoral contests: for example, in 1907 the Socialist Party of Canada, a rather doctrinaire Marxist formation, won nearly 9 percent of the popular vote and elected three members to the BC legislature, and, in the depths of the Depression, the CCF won a third of the BC vote in the federal election of 1935. No other province gave the fledgling CCF such a high proportion of votes (Young 1969, table 1). The response from capital was its own political mobilization to prevent the CCF from winning the BC government. From 1945 onward, BC electoral politics would be polarized as business interests coalesced first into an anti-CCF bloc consisting of a coalition of the historical business parties and, later, into a *regroupement* under Social Credit from 1952 to 1991 and under the Liberal label from

1991 to the present. Nowhere else in Canada could such a strong business class cohesion be found. That capital and its allies disliked the BC social democrats is not in question. The record of the BC NDP in government does not, for the most part, justify this antipathy, but for BC-based business interests, anything less than complete control over the apparatus of the provincial government is not acceptable.

The 1972 provincial election saw the fracturing of the electoral coalition that had kept Social Credit in power since 1952. The Progressive Conservatives were hastily reassembled as an electoral machine and saw their vote increase from a minuscule 0.1 percent and no seats in the 1969 election to 12.7 percent and two seats in 1972. The result was an NDP majority government, led by Dave Barrett, based on 39.5 percent of the popular vote (Howlett and Brownsey 1992, 279). In the ensuing 1,200 days of NDP government, some 367 bills were passed by the legislature. For BC's business interests, this agenda went too far and too fast. As in the cases of the Saskatchewan and Manitoba NDP governments, various reforms were introduced in social, labour, and economic policy. Public ownership in certain sectors was expanded: for example, the British Columbia Petroleum Corporation was established as a government monopoly but with a limited responsibility for the marketing of natural gas and oil. This was no effort to nationalize the industry in whole or in part; indeed, it was a tepid intervention into the public ownership of natural resources compared to those that the Blakeney government in Saskatchewan would undertake. In addition, the Insurance Corporation of British Columbia (ICBC) was created, bringing auto insurance into public ownership. In other areas of fiscal and economic policy, the NDP government introduced the *Mineral Royalties Act*, which sought to bring into the public coffers a larger share of the windfall profits that mining companies were enjoying and to introduce regulations to better manage the extraction of natural resources. However, pressure from the mining industry compelled the government to back away from both the royalty and regulatory aspects of the strategy (Sigurdson 1997, 322).

In terms of redistributive social policy, the NDP established several new programs including Mincome, an income security program for the disabled and seniors, and a Pharmacare program providing a subsidy on prescription drugs. Furthermore, social assistance rates were significantly increased as was support for public housing initiatives and daycare provision (322). All of this contributed to a significant expansion of the public sector in terms of both expenditures and staffing. On the labour relations front, bargaining rights were extended to BC's government workers for the first time and a new Labour Code was adopted. While the BC trade unions were largely pleased with the policy direction of the government, tensions grew in 1975 as the government intervened in several strikes by ordering workers back to work (Howlett and Brownsey 1992, 280; Sigurdson 1997, 323–24). But the New Democrat vote remained remarkably loyal despite the rifts with the trade union movement that opened up. In the ensuing election, the NDP share of the popular vote dropped by less than 0.5 percent, to 39.16 percent. However, the Liberal and Conservative vote collapsed and coalesced once again around Social Credit to deliver it a majority government. It would take sixteen years and a second fracturing of the anti–social democratic coalition before the NDP would return to government.

In 1991 Mike Harcourt led the BC NDP to a majority government, winning 40.7 percent of the popular vote. The discredited Social Credit fell to 24 percent of the vote and third place, while a resurgent Liberal Party, the new but not yet hegemonic political arm of BC capital, obtained 33.2 percent. Five years later, in 1996, under a new leader, Glen Clark, the NDP won an unprecedented second majority but again as a consequence of a split among right-wing parties and the vagaries of the first-past-the-post electoral system. The New Democrats actually trailed the Liberals by 2.3 percent in the popular vote but still won six more seats than the Liberals, who suffered from a fracturing of the anti-NDP vote: the BC Reform and the Progressive Democrats (a split from the BC Liberals led by the former Liberal leader) together won 15 percent of the vote and three seats. As

BC history has demonstrated, when the right unites, the result is invariably electoral victory. In 2001, and led now by the third leader within a decade, Ujjal Dosanjh, the NDP suffered an astonishingly deep defeat. With but one significant party on the right, the BC Liberals won 57.6 percent of the popular vote and all but two seats in the legislature. The fracturing of the vote was now, arguably, on the left, where the NDP contended with the Green Party, which took 12.4 percent of the vote but won no seats. Despite their defeat, their unbroken decade in power gave the BC New Democrats a record to be assessed.

From the very outset, the tenor of the BC NDP under Harcourt was established when the electoral strategy was based on "appeasing the business sector, avoiding radical departures from the status quo and, above all, appearing moderate" (Cohen 1994, 151). The strategy of moderation, intended to broaden the electoral base of the NDP beyond its traditional allies in the labour movement and the popular sectors, included recruiting candidates who did not possess the standard NDP candidate resume, which was typically steeped in labour or social movement struggles. Rather, candidates with "business and management experience were enticed to join the party, attracted both by the prospect of holding office and by the opportunity to work with Harcourt, himself an ideologically moderate and business-friendly NDPer" (Sigurdson 1997, 325–26). From a policy perspective, the party platform, "A Better Way British Columbia," expressed an explicit pro-market orientation, stating that "a prosperous British Columbia needs a dynamic market economy." However, this was tempered by the inclusion of commitments to increase the minimum wage, set higher corporate taxes, improve severance and layoff legislation, and increase spending for health and education. But even such modest proposals were qualified by an overarching commitment that public expenditures would be constrained by the central objective of balancing the budget (327).

In government, Harcourt delivered on a number of commitments to the party's traditional base. A new Labour Code

provided an anti-scab provision, a provision allowing for secondary boycotts, and mandatory first contract arbitration, and public sector workers, both in the core public service and in health care, won substantial wage increases, job security, and a role in decision-making. The code thus made a substantive contribution to a limited form of workplace democracy (329). High-income and corporate taxes were increased in the NDP's first several years of government, but an increasingly ascendant progressive competitiveness orientation, similar to that in Ontario under the Liberals and NDP, was emerging, with the labour and post-secondary education ministries becoming more closely integrated to give institutional and policy focus to human capital development.

Overall, the policy direction of the Harcourt government consisted of a very modest redistributional aspect and an ascendant progressive competitiveness that centred upon skills and knowledge acquisition as a means of transitioning the BC economy at least partially away from resources and toward a new knowledge-based economy. But the priority shaping all other decisions was the focus on fiscal constraint leading toward a balanced budget. Consequently, even though spending on the key social policy areas of health and education increased in absolute terms, this spending, measured on a per capita basis, was actually declining (329). More positively, the Harcourt government created or strengthened new ministries for Women's Equality and Aboriginal Affairs to give voice at the centre of government to these important constituencies. Even this step, though, can in part be understood as part of the BC NDP's efforts to consolidate political support for its increasingly centrist program: class-based demands for redistribution were simply too expensive in the context of public austerity and, perhaps as importantly, risked mobilizing capital behind one electoral vehicle.

In 1995 Harcourt was replaced as party leader by Glen Clark, who led the NDP in the successful election of 1996. Journalist Sarah Schmidt (2000, 30) wrote of Clark that he led "the last real NDP government in Canada and certainly the only one that

dared flash the class card." Despite Clark's style and unabashed working-class roots, however, there is little that distinguishes his three and a half years in the Premier's Office from Harcourt's tenure as premier. In this respect, despite seeing Clark's NDP as the last "real" NDP — a party committed to social and economic equality — Schmidt also noted that "Clark may have talked tough on class, but some of his policies . . . were hardly radical" (30).

The Clark era began with an income tax cut of 1 percent for all British Columbians in each of the fiscal years 1996 and 1997 and a general freeze on all other taxes through to 2000. In order to protect health and education expenditures, the Clark government reduced expenditures in other parts of the public sector. This included the elimination of 2,200 public service jobs and of three ministries and two Crown corporations, a wage freeze for the public service, a tightening of social assistance eligibility criteria, and a reduction of overall per capita public expenditures by 2.2 percent (British Columbia Ministry of Finance 1996). In the field of social policy, progressive changes, including expanded dental and vision care coverage for children in low-income families, were made to the BC Benefits program, which provided income support and social services to the province's most vulnerable populations. However, even this effort at redistribution was enabled through greater regulation and cost containment for other poor people, including "cuts to basic rates for employable adults without children by eight to ten percent, reduced earnings exemptions, new time limits on those exemptions, and the elimination of provincial sales tax credits for families with children" (Fairbrother 2003, 315). While certain resources were redirected to poor children, they came at the expense of impoverished adults, a rather perverse form of redistribution by any measure.

An enduring theme through the Clark years — and, for that matter, the brief tenure of Ujjal Dosanjh, Clark's successor as party leader and premier — was public sector austerity. Elimination of the deficit was a priority, as was a program of deregulation to make "government less burdensome." Tax reduction was identified as the most effective means of encouraging economic growth.

Taken as a package, deregulation, deficit reduction, and tax cuts were seen to be the means for creating a "positive business climate," thus enhancing British Columbia's competitiveness (British Columbia Ministry of Finance 1998). The *Balanced Budget Act* was introduced in 2000 during the brief tenure of Premier Ujjal Dosanjh. This was rather ironic in that Canada's first example of balanced budget legislation had been introduced by the BC Social Credit government in 1991, only to be repealed when the NDP came back into power that same year (Philipps 1997, 686).

The decade of NDP government through the 1990s in British Columbia was, in policy terms, fundamentally identical to the years of the New Democrat administrations governing Manitoba and Saskatchewan. As in other cases of "new" social democratic governance, the BC NDP effectively aligned its policy program toward the requirements of neoliberalism. While there may not have been a particular moment when the BC NDP officially set out upon a process of "modernization," shedding any pretense of using the power of the provincial state toward redistributive objectives, its decisions in government speak to a full acceptance of the market. Of course, the BC NDP never set out to challenge capital in any fundamental sense, but as elsewhere, even a modest program of reform based on limited public ownership and a redistribution of resources had been clearly abandoned.

Nova Scotia: Unshackling the NDP from Its Past

The provincial general election held on 9 June 2009 gave Nova Scotia's NDP 45 percent of the popular vote and an unprecedented majority of seats in the legislature. The party's election platform, "Better Deal 2009: The NDP Plan to Make Life Better for Today's Families," was a sparse two-page document consisting of seven modest and not particularly social democratic commitments. The party's policy proposals entailed the creation of 2,200 jobs "by rewarding investment in Nova Scotia companies," a 50 percent rebate on the provincial sales tax on new homes, reduced wait times for medical procedures, a plan to stem the

out-migration of young workers and professionals by offering a $15,000 incentive to remain in the province, removal of the 8 percent harmonized sales tax (HST) on electricity consumption, improvement of rural roads, and expansion of home care for seniors — all of this within a broad program of public expenditure constraint. Related to this last point, the platform stated that upon forming government, the NDP would have an independent auditor review and report on the state of the province's public finances. One columnist wrote of the platform that it was more a "slender leaflet, designed for sales, not debate" and was surprised that nary a word dealt with traditional social democratic concerns about equality and redistribution through progressive taxation (Steele 2009; see also Fodor 2009, 7).

The modesty of the platform compelled the mainstream media to characterize the Nova Scotia NDP not as a party seeking serious reforms but rather as a "party focussed on tweaking government — and pursuing cautious change." While the caution was welcomed, the same media also noted that this constituted a weakness in that "no big picture really comes into focus" ("NDP Platform" 2009). Political scientist Jim Bickerton consequently characterized the NDP under the leadership of Darrell Dexter as "conservative progressive." Bickerton situates the electoral success and ideological "modernization" of the Nova Scotia NDP within its incremental shift, beginning in the 1980s, away from a "primarily blue collar, labourite party with its voter base in the steel and coal towns of industrial Cape Breton" and toward "the growing capital district of Halifax, and ideologically . . . to modern social democracy with its appeal to public sector workers and educated urban professionals" (Strategists Panel 2009). In other words, as noted above, the NDP refounded itself as a broadly centrist political formation in response to the declining, and indeed limited, electoral reach of its historical industrial working-class base. Its electoral success in forming the first NDP government in Atlantic Canada is indisputable, but what this electoral success says about the political content and purpose of Canadian social democracy generally is much more important. Indeed, the transformation

of the Nova Scotia NDP leads to the conclusion that the party no longer has very much to do with redistributive social democracy and instead concerns itself largely with efficient public management. This trajectory was already evident in 1999, when the NDP, holding the balance of power, defeated the minority Liberal government of the day because it had failed to balance the budget: the Liberals had chosen to invest in health care rather than focus on deficit reduction. This curious political practice for a social democratic party prompted CAW economist Jim Stanford (2001, 100) to write: "By bringing down a government on the grounds that it failed to balance the budget, and making 'fiscal prudence' a centrepiece of its own campaign, the NDP clearly contributed to the emergence of the current regressive trend in Nova Scotia." Later, in 2003, the NDP supported a tax cut introduced by the Conservative government, a cut that would negatively "affect women, the poor, and regions outside of Halifax" (Haiven 2009, 7). The Nova Scotia NDP had clearly traversed a great distance from its social democratic roots based in equality through the redistribution of resources and power.

Accounting and consulting firm Deloitte and Touche conducted the NDP's promised financial review. As with other such reviews, it concluded that Nova Scotia's public finances were far out of balance. In fact, the review projected ongoing deficits into the future, stabilizing at $1.3 billion per year by 2012–13, and intoned grave challenges ahead: "The combination of several events has culminated in the projected trend of future deficits, led primarily by the growth in expenses which is expected to outpace revenue growth . . . into and past 2012–2013" (Deloitte and Touche LLP 2009, 9). The Deloitte review was compared to a similar exercise undertaken by another newly elected NDP government in 1991, that of Roy Romanow. As analyst Larry Haiven (2009, 6) put it, the purpose of Romanow's review "was to make the financial situation appear as grave as possible and give the government political room to lower expectations, especially among the NDP's membership and traditional constituency including the unions." Dexter's review served essentially the same purpose.

The title of the 6 April 2010 budget, “Back to Balance,” signalled that deficit busting would be the priority for this government. An unequivocal turn to austerity was announced: $1.1 billion in public expenditures would be cut. Stated differently, this meant that the government had opted to eliminate nearly 80 percent of the projected $1.4 billion deficit through the incremental erosion of public services and programs. Even the government-appointed Economic Advisory Panel recommended that taxes — on both personal income and consumption — be increased in combination with “significant spending cuts” (Nova Scotia 2009, 13–15). A turn to a more broadly progressive income tax was not to be: instead, the Finance minister chose to hike the harmonized sales tax (HST) by two percentage points and to actually cut the income tax on those earning between $93,000 and $150,000 per annum. In addition, the provincial public service would be shrunk by 10 percent. But perhaps the most revealing, though underreported, initiative proposed by the 2010 budget was deindexing the public service defined-benefit pension plan and constraining increases to 1.25 percent per annum for five years (Steele 2010). If the pension fund was not fully funded at the end of that time frame, indexing by any measure would be eliminated. In short, it took an NDP government to declare war on public sector pensions.

There may be an urge to compare the Nova Scotia NDP to Ontario's Rae-led NDP government, but such a comparison would be facile. The Ontario NDP came into government full of reformist zeal and was quickly overtaken by an unfocused policy agenda, an inability to consider options other than austerity, and a public service that was neutral in some quarters and less so in others. A more apt comparison would be with the reconstruction of the Ontario Progressive Conservative Party through the late 1980s and into the early 1990s, when what had been a pragmatic centrist party for decades was refashioned into a right-wing populist vehicle. With the “red Tories” marginalized, it had become a different party. The Nova Scotia NDP, through the 1990s, had moved through a similar transformative process — in fact, one

that was perhaps less grassroots-based than the metamorphosis of the Ontario Conservative party had been. Regardless, the Nova Scotia NDP emerged a party of a different type. The redistributive social democracy that the party had once embodied was incrementally jettisoned and replaced under successive leaders — McDonough, Chisolm, and now Dexter — until what remains is a historical shell whose current leading occupants have only the vaguest resemblance to those who once lived there.

Indeed, the 2009 federal NDP convention, held in Halifax, presented a party that, Janus-like, looked in two different directions. This was personified in the perspectives expressed to the convention by former federal leader Ed Broadbent and the new Nova Scotia premier, Darrell Dexter. Broadbent delivered the convention's opening keynote speech; it was the first time he had spoken to a party convention since resigning as leader in 1989. Indeed, in historical terms, the convention was taking place at the height of the Great Recession, when there appeared to be a global deathbed conversion to old-style Keynesianism. Broadbent noted that we were living in a "social democratic moment" where "even governments of the right . . . have now had to adopt the kinds of policies we social democrats have advocated all along" (Broadbent 2009). The theme of his address was the importance of state intervention to stabilize the market economy and to promote greater equality through redistribution of resources and opportunities. Canada's postwar welfare state had contributed significantly to this goal through concrete policies and programs that Broadbent succinctly summed up as "government pensions, universal health care, trade union rights, comprehensive unemployment insurance, the expectation that every boy and girl with ability could go to university," all contributing to a state in which, ideally, "all were paid for by adequate levels of progressive taxation." But he lamented that three decades of neoliberalism (he did not use this term) had effectively eroded this social democracy through tax cuts and an increasingly regressive taxation regime, and the termination of redistributive programs — all of this resulting in expanding inequality. In closing, Broadbent

identified his party's task: "to demonstrate, show and persuade Canadians that with more equality" a more civil, productive, socially cohesive, and healthier Canada was possible. In other words, he exhorted his party to advocate for the social democracy of redistribution, a mixed economy, and an effectively regulated market.

In contrast, the new premier of Nova Scotia, the head of the first New Democratic government in Atlantic Canada, presented a different narrative. The day after Broadbent delivered his impassioned denunication of inequality and market fetishism, Dexter urged the party to "not be shackled by the past" and to "embrace a wider set of values," adding that the NDP is a "new modern political party" that needs to become a "big tent" (Foot 2009). But the delegates at the convention were not completely convinced to follow Dexter's advice: resolutions calling for tax credits for small and medium-sized businesses, similar to a Dexter-government policy, and a proposed renaming of the party, met such strong opposition that they did not make it to the convention floor.

CONCLUSION

The content of the social democratic project — the political objective and how this is to be achieved — has obviously been transformed. The politics of the centre-left express nothing more than a more moderate and pragmatic management of neoliberalism. Just as, in the postwar decades, social democracy offered a more redistributive policy and practice in managing capitalism, it now offers a program that assists in the adjustment to the requirements of a globally based hypercompetitive market economy. It is, for now, a program of progressive competitiveness (Albo 1994) whose central political objective is to help workers adapt to neoliberalism through policy focused on skills, training, and knowledge. The politics of class compromise long ago gave way to the politics of class co-optation, which is best captured by the discourse of partnership. Competition

between nations and regions requires such a politics. Canada's New Democratic Party offers no opposition or alternative to this perspective.

The political practice of New Democratic governments through the 1990s to the present demonstrates the unambiguous success of neoliberalism in disorganizing the working class's unions and political parties (Albo 2009, 121). It is now virtually impossible to discern what sets an NDP government apart from the traditional parties of business. At the convention that saw Bob Rae become leader of the Ontario NDP in 1982, left-wing caucus opponents to Rae circulated a pin that read "Bob Rae — New Liberal." It was prescient. No one then would have predicted that twenty years later, Canadian social democracy would see not only Rae, but several other prominent New Democrats including one other former premier and several former provincial cabinet ministers, move to federal electoral politics as Liberals. The politics of the centre-left, the politics that gave rise to New Labour in Britain and the amorphous Democratic Party in Italy, had arrived in Canada, though with much less formality.

The overview of New Democrats in power presented here leads to the question of the distinctiveness and relevance of the NDP in the twenty-first century. As workers and popular sector activists in Ontario, British Columbia, Manitoba, Saskatchewan, and, most recently, Nova Scotia have found, the presence of an NDP government is no guarantee that the objectives of economic and social justice will be pursued.

Within the Canadian Marxist Left, there is an ongoing debate about what its relationship to the NDP should be. One argument proposes a practice of "entryism" — that is, becoming active members within the party since it is the only major political party with a significant working-class membership and identification. Another view is that social democracy no longer has any political value save perhaps to slow the erosion of postwar social programs; moreover, the NDP is simply not capable of reinventing itself as an anti-neoliberal political force. The review of the NDP's history, ideology, and government policy outputs presented here

suggests that this latter perspective is a more sensible reading of the possibilities presented by the party. The Great Recession of 2008 has engendered a neoliberal *regroupement* that has already demonstrated, as in the case of the auto industry, its capacity to use the crisis to pursue and achieve previously unattainable objectives. A union that epitomized the postwar order of class compromise has been smashed. What is assuredly the next phase in the neoliberal project is to use the rapidly emerging fiscal crisis of the state to pursue a more extensive program of public sector austerity and marketization. This has already occurred in social democrat–governed Portugal, Greece, and the United Kingdom. And in Canada, finance ministers of every partisan hue are looking to programs of public sector austerity to deal with the damage left in the wake of the recession of 2008–9. The social democratic politics of adaptation have little to offer in resisting this assault. In fact, social democracy is proving an able partner in facilitating the transition to the next phase of neoliberalism.

POSTSCRIPT: THE 2011 FEDERAL ELECTION AND QUÉBEC'S TURN TO THE NDP

The outcome for the NDP of the 2 May 2011 federal election was indeed astonishing, particularly in Québec. The Québec results require some commentary, given that the NDP, at least federally, is now the key party in that province on the federal stage. What follows is a brief analysis of those results, which may have long-term implications for Canadian politics and the social democratic Left. (For further analysis, see the final chapter in this book, by Roger Rashi.)

The NDP won 103 seats and more than 30 percent of the national popular vote, but it was the party's victory in Québec that marked a profound shift. There, 42.9 percent of votes were cast for the NDP, resulting in the election of an unprecedented 59 NDP MPs. This remarkable achievement stands in contrast to the previous election, in which the NDP elected only a single MP

in Québec and captured a mere 12.2 percent of the popular vote in that province. How can we understand a shift in political fortunes of such magnitude?

Three political factors appear to have given the NDP a strategic advantage in Québec: the exhaustion of the Bloc Québécois (BQ) narrative on sovereignty, a popular desire to defeat the Harper Conservatives, and voters' perception of the NDP as the best electoral option.

Amir Khadir, co-leader and sole member of the Québec National Assembly for the left-leaning Québec Solidaire, understands the rise of the NDP and demise of the BQ as an expression of "the political exhaustion of a certain sovereigntist orthodoxy" (Fidler 2011b). Khadir explains that the PQ (Parti Québécois)/ BQ strategy for independence was based on Québec's alienation from Canada and was a elite-driven project with no space for popular input into shaping the social project of an independent Québec. Obviously, this strategy had met with little success and progressive opinion began to consider other strategies. Indeed, it was prescient that during the 2008 federal election, a debate had emerged within the pro-independence Left whether to support the BQ or NDP (Fidler 2011a).

When polls in April indicated a growing swell of support for the NDP, the BQ called on PQ notables such as Jacques Parizeau and PQ leader Pauline Marois to speak at campaign events. The result, however, was to remind Québec's voters that the BQ was part of a failed and tired strategy. Furthermore, in these events, the BQ deployed an "if you are not for us, then you are against Québec" rhetoric, which was seen as excessively dogmatic. This was, however, not a rejection of the BQ and sovereignty per se but rather of the BQ's discourse. Progressive sovereigntists became more open to alternative strategies. As Amir Khadir noted: "Quebec will have every interest in seeing that a more open Canada emerges, under the leadership of principled, generous and open people — like Jack Layton and the NDP, who have undertaken to respect our right to self-determination" (quoted in Fidler 2011b). The NDP, in short, was not seen by Québec as a

threat to the sovereignty project. Except for the BQ, it was the only realistic alternative as a federalist party that was not expressly anti-sovereignty (Tremblay-Pépin 2011).

The second factor contributing to the NDP's success was tactical. Progressive voters in Québec wished to defeat the Harper Conservatives. The only acceptable party that might do this was the NDP. This, combined with the clear limitations of the BQ, meant that "the mostly anti-Conservative Québecers voted NDP because they were tired of disdainful discourses from the Bloc and the Liberal Party — and because Layton did not seem dangerous" (Tremblay-Pépin 2011). A post-election survey by Leger Marketing (7 May 2011) confirmed this, finding that the key objective of many Québec voters, including BQ voters, was to find a way to defeat the Conservatives.

The third factor, interwoven through the preceding points, was that the NDP was the only real option. The political program and ideology of the NDP was not uncomfortable for most Québecers, to whom its moderate reformism looked very familiar and normal (Tremblay-Pépin 2011). Generally, Québecers are more open to broadly progressive ideas than is the case in the rest of Canada. For example, while not scientific, the CBC's Vote Compass results demonstrated some fundamental ideological differences. On key left/right questions concerned with taxation, military expenditures, and so on, Québecers tended to be much more progressive than Canadians in general.

As the largest party in Québec at the federal level, the NDP must now advance an authentic program that accepts Québec's right to self-determination in concrete ways. Perhaps the larger challenge, though, will be to integrate into its electoral strategy the reality of a broadly progressive Québec electorate with a more conservative Canadian electorate.

AMERICAN SOCIAL DEMOCRACY

Exceptional but Otherwise Familiar

HERMAN ROSENFELD

Social democracy takes a different form in the United States than it does in other developed capitalist democracies. There is no social democratic party — social democrats work, for the most part, in and around one of the major bourgeois parties, the Democrats. Very few social democrats even call themselves social democrats: many go by the name "liberal" or "democratic socialist" — although it is important to remember that many liberals and democratic socialists are exactly what they claim to be. Relations between social democrats, on the one hand, and the labour movement and the working class, on the other, are particularly problematic, subject as they are to the peculiarities of American political culture, history, and structures. Furthermore, social democratic reforms and the welfare state are much reduced and truncated in comparison to countries with stronger social democratic traditions, which affects the daily lives of much of the American working class. Indeed, American political structures and culture have created a unique set of circumstances that make all political experiences on the Left different in rather substantial ways from those in other countries.

Many of the larger forces that have shaped social democratic

ideology, policies, and practices elsewhere have also affected American social democracy:

- the early split with the communist movement, the Cold War, and the challenge of relating to and dealing with Stalinism and state socialist models
- the Great Depression, unions, and the challenge of building a relationship with labour and the working class
- the advent of the Keynesian welfare state — which, in the US, took place in the context of Roosevelt's New Deal and was led politically within the state by the Democratic Party
- the so-called golden age of capitalist growth and accumulation, with its drive to jettison references to socialist alternatives in favour of expanding social welfare reforms and the privileging of growth driven by private accumulation
- the social movement radicalism of the 1960s and the high tide of the capitalist welfare state period
- the crisis of the 1970s, which led to the defeat of labour and working-class institutions
- the implementation of the neoliberal counter-revolution and strategies for globalization, which renewed capital accumulation and limited the space for reforms within capitalism.

American social democracy has a spotty history of offering itself as an independent political movement, at least since the 1920s. For the most part, it has lived since World War II in the shadows and interstices of the Democratic Party. In the context of the intensification of neoliberalism reflected in the Obama Administration's response to the financial crisis, American social democrats remain a very fractured lot, with boundaries on both the left and right that are porous and often hard to decipher.

The renewal of successful private accumulation requires both a continued repression of the labour movement and, currently, a new period of austerity targeting the public sector, unions, the unemployed, immigrants, and social service recipients. Many on

the liberal right of social democracy have defected, acquiescing to the requirements of empire and class rule. Others, especially those who call themselves progressives on the Left, have raised new calls for reforms of the financial system, greater legislative rights for a wounded labour movement, job creation, and new government spending efforts, all without addressing the logic of private accumulation at the heart of the American economy.

Many of these activists see as their political goal the transformation of the Democratic Party into a European-type social democratic party. But it is questionable, even from the point of view of social democrats themselves, whether the creation of a new social democratic party independent of the Democrats would even make much sense in the current era. If the content of social democratic politics has long been shorn of its contestation with capital, creating a party based upon the resulting ideological terrain seems not to be productive. As well, the neoliberal era has so dramatically narrowed the space for short-term reforms that even a political movement based on fighting for increasing the social wage and empowering the working class through structural or other reforms would need to build a more radical and sustained mass politics incompatible with social democracy. Those who continue to argue for a social democratic party to the left of the Democrats also tend to paint unrealistic pictures of the situation in countries with social democratic ruling parties (Selfa 2008).

Further to the left of the Democrats are loosely organized groups that consider themselves to be democratic socialists but that continue to work within the orbit of the Democratic Party. They distinguish themselves from the neoliberal orientation of the Obama Administration and the Republican-dominated House of Representatives, and from the numerous right-wing state governments elected in 2010. Some have a limited practice of writing and circulating critical articles on the Web and a small number of progressive journals, or they support the odd progressive congressional primary candidate. Others participate in unions, social movements, and local and state-wide campaigns,

arguing that effective electoral political activity must inevitably be linked to the Democratic Party. These groups are very heterogeneous in their political and ideological positions and their larger beliefs, as well as in how they relate to the Democrats and a small but important group of more radical socialist organizations and individuals.

It's impossible to know how or if significant elements within these groups, along with more radical elements of the American Left, will eventually contribute to the creation of a new, larger socialist movement. One also wonders just how committed they are to remaining within the Democratic Party fold. Many critics on the Left argue that channelling electoral activity through the Democrats necessarily holds back efforts to building a political instrument that can present a socialist alternative relevant to the American working class. Others, however, claim that some sort of engagement with the Democratic Party remains necessary.

THE AMERICAN CONTEXT: POLITICAL STRUCTURES AND CULTURE

American social democracy has operated in a context that differs fundamentally from parliamentary political systems of most other countries (Davis 1999, 169). US political institutions — through the division of powers, the structure and practices of the Congress and Senate, and the federal system of power distribution — limit the ability of an elected government to act in the interest of the working class and to challenge capital. The two-party system is institutionalized in the operation of the legislative branch and is legitimated by the courts. Electoral practices — from the first-past-the-post election format to the system of primaries (itself initiated as a democratic reform) — further reinforce that system. The organized labour movement has, since the 1940s, been integrated into one of the two bourgeois parties. Furthermore, the parties themselves defy traditional notions of "left-right" axes and have been rather impervious to efforts to realign them according to that format, although the Republicans

have clearly become a more ideologically united party of the Right in the early twenty-first century.

There have been important third-party exceptions: in the early part of the twentieth century, for example, the Socialist Party had electoral success and deep grassroots party activities (Teitelbaum 1995). In addition, some notable examples of social democratic third-party success at the subnational level are the Socialist Party in Oklahoma in the 1920s and 1930s, the Non-Partisan League in North Dakota, the Washington Co-operative Commonwealth in Washington State, the Minnesota Farmer-Labor Party, and the current Vermont Progressive Party, which has a relationship with the Democratic Party.

The working class in the United States has, at critical periods, had experiences that have made it especially difficult to create a class-oriented politics. As Mike Davis (1999, 7) notes, one must consider

> the role of sedimented historical experiences of the working class as they influenced and circumscribed its capacities for development in succeeding periods. Each major cycle of class struggle, economic crisis, and social restructuring in American history has finally been resolved through epochal tests of strength between capital and labor. The results of these historical collisions have been new structural forms that regulated the objective conditions for accumulation in the next period, as well as subjective capacities for class organization and consciousness.

Davis concludes that "each generational defeat of the American labor movement disarmed it in some vital respect before the challenges and battles of the following period."

Davis and others argue that the American working class has been weakened by an inability to challenge racial inequality, to fight for the inclusion and integration of, and collective solidarity with, successive waves of immigration, and to develop strong class institutions independent of capital. Davis refers to

this as "the political segmentation of the proletariat and middle strata by racial and ethno-religious conflict" (163). The American labour movement, too, is weak and divided, scarred as it is by the setbacks and challenges that the working class as a whole has experienced. In addition, immigrants have injected new forms of radical thinking and activism into the American working class. One has only to consider the contribution of immigrants from Latin America in recent times. The difficulties of creating movements that respect racial equality and solidarity with Aboriginal peoples are also rooted in the nature of the original American experience: a settler state constructed through slavery and the dispossession and destruction of Native peoples.

In contrast, the American capitalist class is strong and adaptable and is constantly restructuring itself in ways that weaken the working class. Even more important, however, is the imperial role of the American ruling class as the dominant military, ideological, financial, and political defender of capitalism, particularly in the post–World War II period. This has contributed to a larger identification, on the part of many Americans, with American hegemony and the interests of capital as a whole. The advent of neoliberalism in the 1980s — with the concomitant defeat of the labour movement and the Left — reinforced many of the conservative tendencies in American politics and culture and introduced many new ones.

Linked to the above is the tendency to identify American political culture with capitalism and the myth of the American Dream. This, along with an ingrained habit of anti-communism, held over from the Cold War era, greatly limits American political discourse. The ethos of individual upward social mobility runs strong, even in the language of the labour movement and much of the political Left, and articulates with many of the survival mechanisms that working people have had to rely on during the neoliberal period. But these dominant cultural and political tendencies are mediated by countervailing cultural and structural realities, such as the commitment to welfare state gains, periodic collective social movements, and the labour

movement itself. These latter elements remain as residual cultural realities within the working class and serve as a counterpoint to forms of American exceptionalism.

WHAT IS AMERICAN SOCIAL DEMOCRACY?

The elasticity of the term *social democracy* makes it difficult to define. Even in countries with long-established social democratic parties, the political concept itself has undergone many changes in meaning. It was originally a catch-all term for all of those working for immediate reforms as well as an eventual socialist transformation, based within the working class, of the capitalist system. In the neoliberal era, the term has become, at best, a call for a muscular Keynesian vision of regulating markets within the accepted limits of global capitalism — bereft of a class base — and, at worst, a plea for meagre social reforms that might moderate the effects of brutal forms of competitive capitalism, which otherwise go unchallenged. Social democracy's ties to the labour movement and the working class are indeed frayed and contested.

In the period preceding the Bolshevik Revolution, *social democratic* meant, in the United States, a combination of (a) a commitment to the extension of full democratic rights to working people (and, for some, to women and racial minorities), (b) reforms that limited the operation of the capitalist marketplace and protected working people from its worst ravages, (c) ties to the working class and a strategic role in building and defending their organizations, and (d) a longer-term commitment to the eventual replacement of the capitalist system with socialism. Social democrats worked through unions — in fact, some labour movements were built by pre-existing social democratic parties — as well as through co-operatives and other social movements, but their emphasis was on building electoral political parties aimed at winning national power. The terms *socialist* and *social democrat* have often been used interchangeably.

Social democracy was redefined in the Depression and New

Deal eras, not only in the United States but in Europe and elsewhere. In Europe, social democratic parties retained their long-standing ties to their respective labour movements and vied for government power and a role in managing capitalist economies. American social democrats, however, moved away from their traditional political vehicles and merged, for the most part, with the liberal wing of the Democratic Party. During this period, European social democratic parties either dropped their commitment to transforming capitalism or relegated such projects to vestigial reference points. But a number of them continued to commit to projects of dramatic increases in the social welfare state and elements of nationalization and labour market regulation; these parties remained nominally and financially (but clearly not ideologically) independent of capital. American social democracy moved toward accommodating both private capital accumulation and its modest social welfare agenda.

From this point on, until the neoliberal era, one key component of American social democrats were those who defined themselves as "liberals." Committed to moderate state regulation of the private market economy, these liberals sought to maintain links to the working class and to the oppressed strata and sections of the labour movement. They supported the implementation of welfare state reforms and the adoption of Keynesian fiscal and monetary policies to prevent a recurrence of the Depression and to stimulate growth and prosperity. American liberalism also had a mass popular base among workers and the middle class. Social democrats, however, weren't the only liberals — the term also refers to elements of capital that generally supported moves away from the traditional conservative economics and social policies that dominated the United States in the pre-Depression era. Social democrat liberals were called, and often called themselves, "left" and "labour" liberals, and they argued for more interventionist forms of regulation, a more robust and effective welfare state, and greater rights and a larger role for labour. They also supported the Cold War and US hegemony in the postwar period and into the post-state

socialist era. Communist Party members and their "fellow travellers" also often called themselves liberals and opposed the Cold War.

In the labour movement, the leadership of the unions belonging to the Congress of Industrial Organizations (CIO) almost unanimously endorsed the Democratic Party and defined themselves as liberals. The older, more conservative wing of the American labour movement, however, tended toward a closer reliance on business and was often reticent to define itself even as "liberal." Still, American unions, for the most part, embraced the Democratic Party as their political instrument. Left liberals travelled a difficult road in dealing with the social contradictions that rocked American society in the later postwar period: civil rights radicalism, the New Left, the Vietnam War, and the stagflation crisis that gave birth to neoliberalism.

With the adoption of neoliberalism as the dominant form of bourgeois class rule, many liberals adopted the Third Way tendency inside the Democratic Party, personified by Bill Clinton and his allies. They, too, acted in ways that were similar to many European social democrats. The term *liberal* is all too flexible and has numerous political meanings. Indeed, liberalism, as the common US term for moderate social democratic reform, has changed, as has the concept of social democracy itself. In a political environment where the space for even moderate reforms to the capitalist system has shrunk and notions of class have been relegated to the margins, liberalism tends to take the form of a call to "progressive competitiveness" and to *socially* progressive positions.

All the while, a second group of American social democrats, including various elements associated with the Trotskyist movement and its fractured progeny, emerged from the Socialist Party — after working through both Trotskyism and the Democratic Party — to keep alive a different form of social democracy. Some of these continued to define themselves as social democrats, with a meaning similar to that of postwar- and neoliberal-era European social democrats. Some moved beyond social democracy to

create a new tendency of radical socialism. And others ended up moving dramatically to the right and forming a component of the neoconservative movement of the 1980s. Needless to say, those belonging to this last group no longer use the term and, after a short period, renounced their past (Sorin 2002, 227).

Finally, a third group that calls itself "democratic socialist" consists of people who genuinely seek a radical challenge to capitalism through both electoral and extra-parliamentary means and who share a critique of neoliberalism and US imperialism. They cohabit with an anti-neoliberal but Keynesian group as well as with a group of those who remain tied, in a nostalgic way, to the gains of the period of liberal dominance in the post-war era. These latter two groups — both of whom still retain at least a verbal commitment to strengthening and defending the labour movement — continue to define as social democratic. Like their colleagues in Europe and elsewhere, American social democrats had, by the 1970s (if not earlier), dropped their commitment to an alternative to capitalism in practice and abandoned it in theory shortly thereafter.

THE ORIGINS AND EVOLUTION OF AMERICAN SOCIAL DEMOCRACY

American social democratic politics evolved historically on a number of levels. On the ideological and political level, it moved from a radical systemic critique to Keynesian reform and then to a modified accommodation with neoliberal capitalism. In its institutional form, it moved from building independent electoral social democratic parties to integration with the Democrats, later combining political work in the Democratic Party with a series of autonomous political groupings and networks. All the while, it interpenetrated in various ways with the labour movement and the working class.

Socialist Party Roots

The early political vessel for American socialists was the Socialist Party of America, founded at the beginning of the twentieth century. It was relatively small compared to the two major parties but had an important cultural influence in working-class centres across the United States (Howe 1985; Teitelbaum 1995). Containing many different political tendencies, the Socialist Party included a social base of trade unionists, social reformers, farmers, and immigrant communities. It elected members to the House of Representatives, and its presidential candidate, Eugene V. Debs, polled 900,000 votes in 1912 (6 percent of the popular vote). Debs was a revered working-class leader whose opposition to US participation in World War I landed him in jail. The party tended to argue against short-term reforms and was effectively blind to the particular issues of racism. State repression and the advent of the communist movement weakened and shattered the influence of the Socialist Party at the beginning of the 1920s.

Unlike the Communists, but like its counterparts in Europe, the Socialist Party maintained that socialism could be attained by electoral means. Aside from its endorsement of Robert LaFollette's presidential run in 1924, the party ran independent electoral campaigns. Moreover, the party's perceived association with the Communist movement and with state socialist regimes such as Stalinism and the Soviet Union became a central challenge to American social democrats in defining themselves and their movements.

The Depression and the New Deal

The Depression, the New Deal, and the postwar period each played a critical role in shaping the political identity and practice of the main forms of American social democracy. American socialists were among the leaders in the creation of the CIO's brand of industrial unionism — the key social movement of the Depression era. Their partnership at critical moments with elements

of the Roosevelt Administration, a group of progressive capitalists, and bourgeois intellectuals helped to shape the contours of the American welfare state and what came to be known as the New Deal. Their ideological adoption of liberalism and a mild commercial Keynesianism, their political incorporation into the Democratic Party, and their activities in the postwar period helped shape the nature and limits of the social democratic movement well into the 1970s.

The sit-down strikes and the mass unionization drives of the 1930s were made possible by a number of factors: the tireless organizational work of activists — both Communists and socialist-inspired workers; leaders such as John L. Lewis and others; an opening created by the Roosevelt Administration, frustrated by the failed *National Recovery Act* (NRA) period; the adoption of the *Wagner Act*; and a mass desire by workers to unionize. The floodgates of unionization began to take off in the wake of the *Wagner Act*, which legally and symbolically legitimated industrial unionization, and the sit-down strikes and CIO organizing plugged into existing workplace struggles over speedup and the unilateral power of supervision. Many of the workplace infrastructures were already in place, having been built by leftists and other activists. CIO leaders sought to control and institutionalize their structures. People who led these struggles included communists such as Wyndham Mortimer, social democrats such as the Reuther brothers, and Trotskyists such as Farrell Dobbs (Davis 1999, 56–58).

But Roosevelt's move to legitimate industrial unionism was itself the result of a number of other factors. Roosevelt ran on a platform of fiscal responsibility and orthodox conservative economics. His first approach to challenging the Depression, the NRA, was based upon a corporatist alliance with business interests and openings to the American Federation of Labor (AFL) unions. In the context of increased worker organizing from below, Supreme Court invalidation of key elements of the NRA, and the defection of conservative elements of capital, Roosevelt became more amenable to accommodating the CIO and its

spokespeople. The administration also began to cobble together an alliance with "capital-intensive industries, investment banks and internationally oriented commercial banks" — a group of capitalists more amenable to responding to the labour movement (Ferguson 1989).

This period resulted in the so-called Second New Deal, which brought in not only the *Wagner Act* but the basic elements of the truncated American welfare state, including unemployment insurance, social security, and the various employment and infrastructure programs. But the form and ideology behind these actions reflected a particular kind of social democratic thinking, combining the concerns of corporations, unions, and government mandarins.

Roosevelt's State of the Union Address in 1944 included what came to be known as the Second Bill of Rights. It articulated a series of social democratic principles that reflected many of the promises of substantive rights being put forward in most capitalist democracies (such as those in the British Beveridge Report), including the right to a job at a living wage, a home, an education, and medical care. The programs reflected ongoing collaboration between corporate and labour leaders and members of the Roosevelt Administration, such as Sidney Hillman, Felix Frankfurter, and Louis Brandeis, and Senators Norris, Wagner, and LaFollette, as well as political operatives and New Dealers Frances Perkins and Harold Ickes (Fraser 1989, 59 and 68). The key ideological cornerstone wasn't social justice, class power, or even fairness and equality but the need to stimulate the economy based upon increasing mass demand.

Soon after the victories of organizing General Motors, the CIO backed off from further sit-downs and the administration moved toward the right. In 1938 Roosevelt moved away from deepening New Deal reforms and closer to the AFL. New Deal liberals lost control of congress to "a resurgent bloc of Republicans and 'Bourbon' Southern Democrats" (Davis 1999, 68; see also Selfa 2008, 52). The administration also sought support for a more interventionist foreign policy from capital and other

conservative political forces, and made a drastic cut to public relief in 1939, which sparked a round of riots and state repression.

But the basis of a new form of American social democracy had been set in place. It was tied to the Democratic Party, which now took on a new hegemonic role; it was a party claiming to represent working people and the downtrodden, all the while representing the interests of a specific bloc of capital. For the time being, that bloc retained an interest in growth through the use of Keynesian counter-cyclical spending policies. Committed to growth, economic stability, the right to unionize, and moderate welfare state reforms, the Democrats built on an ideological cornerstone of what was referred to as "liberal/labour" policies. Clearly, this was a form of social democracy. It stood for a moderation of a troubled free market system, a limited social welfare system, and government action to stimulate demand, with a strong labour movement component. In many ways, it was similar to policies being tried by social democratic parties in Europe, but in the US, it was tied to a bourgeois-led party and was much weaker in its scope (Selfa 2008, 53).

The modest changes that took place during the New Deal era became one cornerstone of the Democratic Party's hegemony over the labour movement and made it the political home for most social democrats. As the war approached, social democrats such as UAW leader Walter Reuther argued for forms of planning that would include the labour movement, the state, and capital. While it would have meant important limits on the unilateral power of capital, Reuther's vision still relied on partnership with capital, retention of private ownership and accumulation as the key foundation of economic growth, and a faith in technology and productivity growth. Describing the UAW leader's plan for "500 Planes a Day," historian Nelson Lichtenstein (1989, 126; italics added) writes, "It contained hallmarks of the strategic approach so characteristic of labor-liberalism in the 1940's: an assault on management's traditional power *made in the name of economic efficiency and the public interest*, and an effort to shift power relations within the structure of industry and politics,

usually by means of a tripartite governmental entity empowered to plan for whole sections of the economy."

Although informed by half-hearted efforts to include labour in real planning during the war (such as provisions for price controls that were never applied) — and soon abandoned by capital — Reuther never gave up his belief in that kind of model. On the other hand, after the aborted General Motors strike of 1948 — when, under Reuther's leadership, the UAW attempted to tie wage increases to the prices of vehicles — and in the face of the political defeat of the postwar period, his practice, from the postwar period until his death in 1970, was characterized by a private set of welfare guarantees tied to the competitiveness of private employers (Boyle 1995).

Lichtenstein (1989, 126–27) uses terms like "labor-liberalism" and social democracy almost interchangeably. He describes the former as "a species of political animal hardly existent today." It "saw organized labor as absolutely central to the successful pursuit of this political agenda." The agenda in the 1943 CIO Political Action Committee's "People's Program for 1944" called for "big-power co-operation, full employment, cultural pluralism and economic planning." This was done in co-operation with labour-liberals in the Democratic Party and administration.

Both the New Deal and the war experience dramatically undermined the existence of a possible independent political identity for social democrats to the left of the Democratic Party. The Communist Party, under Browder, abandoned its earlier independent revolutionary education and organization in factory cells and, styling itself as the left wing of the New Deal, embraced the Popular Front. The party also supported the no-strike pledge in the name of defending the USSR during the war. Union activists and socialists of various sorts, for the most part, abandoned the Communist Party and supported the Democrats, but many continued to organize against employers in spite of the no-strike pledge of the war.

According to Davis (1999), the CIO Political Action Committee cemented the link between the CIO and the Democrats. The

leaders saw it as a way to mobilize support for the liberal wing of the party and a revival of elements of the New Deal. The administration saw it as a way to cement support from the union bureaucracy. Communists and many leftists saw it as a way to force the Democratic Party to become more of a left-wing party by forcing Dixiecrats out and bringing moderate Republicans in — this would not be the last time that efforts to transform the Democrats would be tried and would fail. The Socialist Party continuously ran candidates but opposed the war throughout the entire period as an imperialist war. Needless to say, it lost much of its base.

The Postwar Era

In the immediate postwar period, employers backed off from the promises of co-operation and planning. Truman's cabinet was more hostile than Roosevelt's to labour and efforts to continue and deepen New Deal reforms. The administration took a strong line against a series of strikes by labour that demanded wage increases and an extension of unionization. Over Truman's veto, the Republican Congress passed the draconian *Taft-Hartley Act*, which outlawed cross-picketing, opened the door to "right-to-work" laws, brought in rules to allow the exclusion of Communists and radicals from unions, and signalled a dramatic attack on the labour movement. Truman and ensuing Democratic administrations half-heartedly attempted to respond to labour demands to overturn *Taft-Hartley* but never succeeded.

The Cold War contributed to the transformation of the Democratic administration and the overall tenor of politics, and this affected the labour movement and social democratic politics. The move of capital away from forms of planning and collaboration with labour ended hopes for a more interventionist economic policy and contributed to a further narrowing of the scope of social democratic politics as a whole. The strengthening of conservative forces in both the Republican and Democratic parties drove liberals and social democrats even further into the arms of

the Democrats — as opposed to developing independent political vehicles (Davis 1999, 68). Truman concentrated on isolating and challenging the Soviet Union internationally, in the process furthering the interests of US-based capital, which was concerned with creating an open system for the development of private investment in Europe and elsewhere; the Democratic Party increasingly represented those interests.

The Cold War helped to create an environment of fear and opposition against radicalism of any kind and thus cast a pall over American politics. Building upon the nationalism that had arisen during the war, the Truman Administration embarked on a crude effort to demonize communism and the USSR, and later China, and to frame American plans to remake the postwar world into a capital-friendly environment as being necessary for economic growth and jobs at home, as well as for freedom and democracy. Aside from the pressures of the Cold War, the various position changes and opportunism of the Communist Party, along with the disillusionment of many with Stalin, contributed to a defection of some progressives into the Democratic Party.

Social democratic leaders of the CIO became increasingly convinced that the ravages of the Depression could be prevented from reoccurring, economic growth could be stimulated, and the welfare of CIO members, as well as the working class as a whole, could be assured by sharing the bounty of successful private accumulation. For many of them, it was a short move from a "socialism" of moderate planning along with employers and the state to a social democracy of becoming the handmaidens of private sector growth. The Cold War environment provided a space for CIO leaders to ingratiate themselves with both employers and Democratic Party politicians; this was seen as the only practical way of working toward protecting and possibly extending their gains. It also helped them defeat their internal union opposition, whether they were communists or other radicals. The postwar era saw a generation of social democratic leaders in unions such as the UAW, the United Steelworkers of America (USWA), and the International Ladies' Garment Workers' Union (ILGWU) waging

the Cold War within their unions and across the CIO, purging not only individuals but entire ideological traditions, and with them, key forms of struggle.

The failure of tentative steps outside this model helped to consolidate a certain type of liberal politics inside the union movement. That politics was built on a widely described bargain: labour would accept the necessity of employers running their workplaces, developing their productivity and profits, and deciding on their own competitive strategies. Efforts to organize entire industries such as auto, steel, and trucking also sought to force employers to pay similar wage and benefit levels across these sectors. Taking wages out of competition would pressure employers to compete by increasing productivity and deepening technological transformation. In this way, social democratic labour leaders did have their own notions of competitive strategy. The boss would share the productivity gains and allow the union to deal with ongoing workplace concerns through collective bargaining. On a higher level, labour leaders applauded American competitive success and worked through the Democratic Party to argue for moderate extensions of the social benefits won through the New Deal, improved labour laws, and watered down versions of social democratic demands. They also vigorously supported American foreign policy, the Marshall Plan — both ideologically and as a boon to jobs and economic growth, the Korean War, and aggressive anti-communism, and collaborated in breaking independent unionism abroad.

While much of this served CIO membership well in the short run, it undermined the radical underpinnings of the movement that had organized the CIO during the 1930s. Rejecting a class-oriented ideology, mass organizing was unable to take off. Efforts to organize African Americans and to organize in the South — through short-lived campaigns such as Operation Dixie — were miserable failures since the unions refused to work with radical and communist-led groups and activist centres, instead working with racist politicians and employers to weaken them.

As a number of analysts have noted, the labour movement's

unwillingness to define its project in terms of a wider vision of class (taking up the struggles of groups such as women, people of colour, people of the South, and the rural poor) and its refusal to organize a party to the left of the Democrats helped to define organized labour in terms of "interest group" politics (Lichtenstein 1989; Davis 1999; Ferguson 1989; Selfa 2008; and especially Katznelson 1989, 192). The Democratic Party coalition included elements of capital (internationally oriented and capital intensive) and northern urban political machines working alongside reactionary Southern oligarchs. The predominance of the latter often drove liberals and labour political interests into seeking legislative alliances with moderate Republicans from northern and eastern states.

In the longer run, the elimination of radical activists, thinkers, and forms of struggle from the main body of the labour movement made it extremely difficult to respond to the challenges raised when the postwar boom ended and the system entered a new crisis. By defining itself as an interest group of sorts, the American union movement and its social democratic spokespeople also assured the movement's future isolation when it would be in great need of allies in the face of the later neoliberal assault. The labour movement played an important role in the election of Truman in the highly contested 1948 election.

As the postwar era moved into the 1950s and the era of the Eisenhower Administration (1952–60), social democratic labour leaders, first through the CIO and later through the AFL-CIO, developed an institutionalized relationship with Democratic Party legislators. Accepting the norms of the postwar compromise, the pattern repeated itself into the 1960s: labour would argue for full employment, greater state pump-priming geared toward job creation, and repeal of *Taft-Hartley*. The Democratic majority would inevitably be unable to accommodate this agenda due to its dependence on Southern reactionaries and its alliance with capital. Labour and its liberal allies inside the party would never challenge the fundamental premises of their relationship to the Democrats because of both their internalization of its ideological

limitations and their fear of electing the even more reactionary Republicans. As Davis (1999, 199) notes, unions became the "captive base for an anti-communist 'liberal' wing of the Democratic Party, whose capacity to enact substantive reform was permanently constrained by both the weight of the Democratic right wing and the exigencies of Cold War bipartisanship."

In the reading of some analysts (Ferguson 1989; Selfa 2008; Davis 1999), the inability of the labour Left and its intellectual coterie to wean itself away from the Democratic Party coalition makes it highly questionable to describe its politics as a kind of social democracy in any real sense. This is in contrast to social democrats such as Michael Harrington and Irving Howe who argue that the role of the CIO, and later the AFL-CIO, inside the Democratic Party was a kind of functional equivalent of a social democratic party, "a labor party of sorts" (Harrington 1972, 267).

The Socialist Party stopped running presidential candidates in 1956 and began major debates about how to build and relate to the Democratic Party. In 1958 elements from the recently dissolved Independent Socialist League, led by Trotskyist Max Schachtman, joined the Socialist Party. Schachtman brought Michael Harrington with him. Over time, this group moved toward advocating working within the orbit of the Democratic Party, calling for a strategy of working to transform it into a genuine social democratic party. Originally, the strategy of joining the Socialist Party was motivated by the desire to create a multi-tendency party, which, in the view of these activists, would become a space for Trotskyists, disillusioned members of the Communist Party, and independent socialists in a decidedly non-revolutionary era. This position was contested, and among the dissidents from within this movement grew a more radical group that became the forerunner of the American International Socialists, and later Solidarity and Labor Notes. The Socialist Party continued to field its own candidates but, like its liberal cousins, it moved closer to the Democrats.

The Sixties and Seventies

The different elements of American social democracy, broadly defined, faced the new challenges of the 1960s and 1970s in similar ways. Whether we refer to the labour movement, liberal politicians and intellectuals, or self-identified social democrats in their own organizations and the Democratic Party, the tendency, for the most part, was either to try and stay within the framework of the New Deal reforms and postwar compromise or to adjust to the new realities through a new accommodation and moderate adaptation under the dominance of private capital accumulation and the Democratic Party. Ultimately, this strategy failed, leaving social democratic elements even more fragmented, disorganized, weakened, compromised, and unable to situate themselves in the new reality of the neoliberal era.

In these decades, American social democracy faced a genuinely new set of circumstances. A historic civil rights movement that bubbled up from the grassroots accomplished a social revolution in the South, radicalizing as the 1960s moved on. An anti-war movement responded to the imperialist war in Southeast Asia and brought a new space of opposition to the lingering Cold War orthodoxy. A New Left made up of young people arose, as did a new militancy in the working class, particularly among young workers. The public sector was unionized during this period.

The labour movement was, on the whole, sympathetic to the fight against segregation in the South and was waiting to see whether a genuine mass movement would build. As the movement successfully shook the foundations of Jim Crow, a system of codified racism and colour-based oppression, and became the centre of the news, an increasing number of labour leaders such as Walter Reuther publicly identified with it and contributed needed resources. Whereas the right-wing AFL-CIO leaders such as George Meany only grudgingly accepted the importance of Jim Crow's defeat, the general working-class base of organized labour supported the movement and shared the revulsion over the fascistic attacks on the Freedom Riders, voting rights activists, and anti-segregation marches.

Things changed as the movement radicalized and African American communities engaged in rebellions in northern cities. Labour leaders on the left of the movement became more critical as they and their organizations were challenged by radical activists within their ranks. Walter Reuther, the UAW president, for example, presided over a union that professed full support for integration, yet life in many union sections, locals, and key workplaces included forms of racism and discrimination enforced by both management and local union leaders (Boyle 1995). As the 1970s began, African American workers became increasingly isolated in the most oppressive workplaces, and in Detroit and in key workplaces movements sprang up that challenged the hypocrisy of the "liberal" union leadership.

Reuther's response to both the radicalization and the destructive urban riots of the mid- and late 1960s was to argue for the development of government spending programs to rebuild inner cities in partnership with private capital — reminiscent of the kinds of approaches taken in the war and postwar period to rebuild the country. A moderate version of his proposals was adopted by Lyndon Johnson in his Model Cities program. Other features of Reuther's approach were a commitment to full employment and a faith in the productive capacities of private capital — a notion that technocratic solutions could deliver outcomes that would co-opt the radical component of the African American communities. One effect of the lack of a left social democratic response by the labour movement to the African American rebellions in the urban North was that key elements of African American communities came under the tutelage of moderate liberal business interests and ended up relying on "corporate-dominated foundations" and media for resources (Ferguson and Rogers 1986, 64).

Liberal intellectuals were supportive of the first phase of the civil rights movement, and the liberal political establishment was divided about what to do. More progressive elements, especially young people, supported and actually joined the movement, while much of the establishment — such as the Kennedys

and Senate liberals — gave lip service to a movement that they feared could still threaten the basic Democratic Party coalition. When it became impossible to ignore, John F. Kennedy did provide aid to Martin Luther King and the movement, but it wasn't until after Johnson came to power that action on the legislative front actually came to pass.

Liberals of all stripes generally recoiled at the radicalization of the civil rights movement and the urban riots. This included the right wing of the labour movement, especially where organizers raised demands regarding access to building trades jobs that the overwhelmingly white AFL unions dominated. The approach of social democrats within and around the Socialist Party was similar. Leading social democratic thinkers, including Irving Howe and Michael Harrington, had great difficulty understanding and relating to the black radicalism of the later sixties and early seventies. This is not to say that the content of African American radicalism was grounded in a clear set of political programs or was geared toward building a class-based political challenge to capitalism. Indeed, it was quite confused and tended toward various forms of nationalism (Sorin 2002).

The civil rights movement was only one — albeit the most important one — of the social movements that came out of the 1960s. As in other developed capitalist countries, a generation of postwar growth also witnessed a rise in working-class militancy, albeit manifested in ways peculiar to American social realities. The decade saw the growth of public sector unionism, legitimated by federal legalization in 1961, and the period from 1966 through 1979 was one of widespread labour upheaval. Average weekly wage levels reached their high point in the postwar era in 1972 (Moody 2007, 64, 79). Employment and spending on education increased (Hobsbawm 1995, 284). New social programs such as Medicare and Great Society anti-poverty programs were brought in. At the end of the decade and into the 1970s, younger workers engaged in strikes over workplace and working conditions.

The Johnson Administration (1963–68) responded to the wave of social unrest with a series of reforms, including the *Voting*

Rights Act of 1965, Medicare, and the so-called War on Poverty, which sought to address elements of African American poverty in large cities. The structure of the Great Society reform agenda, however, actually weakened the potential of the working class and the radical elements within African American communities. Johnson, like Kennedy before him, responded in ways that sought to articulate the interests of the bourgeois elements in the Democratic coalition, along with those of the poor, essentially subordinating the latter to the former.

Johnson's anti-poverty program was developed under the tutelage of business interests and sought to enhance the ability of African American communities to access opportunities within existing economic and political structures. While developing centres of black leadership in urban communities, the stratum that coalesced around Office of Economic Opportunity programs became dependent on the largesse of Democratic Party resources. They later served as a functional equivalent of the old urban machines that were replaced in large cities as the AFL-CIO became the main force there (Ferguson and Rogers 1986; Davis 1999). The programs were completely focused on African American poverty issues and were divorced from any larger program of state intervention in the marketplace to guarantee full employment for the entire working class. This became a point of conflict between whites and blacks, and was a major concern for social democrats such as Reuther.

The reforms were funded not by increased corporate or progressive income taxes but by social security taxes, which were in fact highly regressive payroll taxes. Along with tax cuts for the wealthy, this overwhelmingly placed the burden of paying for these programs on working-class people. In the context of the highly divisive political atmosphere of the time, urban violence, the radical rhetoric of key militants in the civil rights movement, the lack of anti-racist education and mobilization of white workers by their political and union leaders, and the conclusion of many black working people that whites were not their allies, major divisions developed within the working-class

movement. This opened the door to the demagogic appeals of the right-wing populism of Wallace, Nixon, and others (Katznelson 1989; Boyle 1995).

Along with the cultural rebellion of college-age youth, the New Left developed as a movement in the late 1960s, challenging the claims of liberal democracy and later embracing various strands of political radicalism. Social democrats within the union movement, political liberals, and those around the Socialist Party orbit responded to the young radicals in much the same way as they did to the trajectory of the civil rights movement. Howe, for one, was repulsed by the challenge to the norms and hypocrisy of liberal democratic politics, the rejection of anti-communism, and the search for new forms of political action and vehicles. He and others were particularly concerned about the refusal of the early New Left activists to critically analyze Stalinism. They also found problematic the confrontational forms of political action as practiced by the younger activists. Similar intergenerational differences are at play in today's social democracy in the United States.

As Johnson increasingly escalated American intervention in Vietnam, the Great Society reforms were ended. The war fuelled the alienation and anger of young people, and the anti-war movement provided a base for the veterans of the New Left. Until the Tet Offensive in the summer of 1968, most liberals remained tied to Johnson's war, still hoping for a renewal of the reforms, if not caught up in the logical extension of the Cold War ideology they had practiced for the previous twenty years. Labour leaders were divided, with the Meany types in full support. Harrington and Howe and their supporters opposed the war but stubbornly refused to support calls for unconditional withdrawal since they believed it would result in the consolidation of a "Stalinist" regime in Vietnam.

After the Postwar Boom

The end of the postwar boom began a period of economic and political crisis. In the context of increasing international competition, rising costs of raw materials from an emboldened Global South, and a general slowdown, the structural gains of the working class over the previous two decades threatened capital accumulation. The crisis took the form of stagflation. Out of this experience, capital and its political parties embraced neoliberalism.

In the US, neoliberalism initially took the form of the Volcker shift under Democrat Jimmy Carter in 1979, which was prefaced by regressive tax cuts, limits to social programs, and a distancing from the AFL-CIO of the administration, which saw labour as one interest group among others. This paved the way for the Reagan era, which saw open attacks of working-class gains through the demonization and imprisonment of the leaders of the Professional Air Traffic Controllers Organization.

The Reagan Administration acquiesced to capital's push for cuts to corporate and higher-bracket income taxes while increasing military spending and payroll taxes on working people, which reflected over 90 percent of the tax increases in the 1970s (Ferguson and Rogers 1986, 100–101). This helped to widen the wedge created in the earlier period between better-off, mostly (but not exclusively) white workers in the higher-paid sectors and the poor, the recipients of social programs.

The exciting social movements of the late 1960s went into decline and, in the absence of left-wing alternatives, once-radical activists joined the Democratic Party. Rather than bring the dynamism of social activism into the party, however, this move contributed to the end of social movement activism (Davis 1999, 297). Without radical political organization and analysis, and in the absence of any real discourse of class, unionized workers were weakened and isolated. This opened up more space for the right-wing populist appeals developed into an art form by Nixon, Wallace, Reagan, and subsequent Republicans.

The Democratic Party had a short dalliance with anti-war politics in the 1972 McGovern campaign. It was only partly

supported by liberals, social democrats, and progressive elements within labour, such as the public sector unions and the UAW. The AFL-CIO and many social democrats stayed neutral. Later, many liberals moved toward acceptance of neoliberal reforms. For example, "[Edward] Kennedy had seen some of the damage caused to Democrats by extremism on the Left, and he was determined to work inside the political process to get things done. He was also open to new ideas, like deregulation, that did not fit neatly into the traditional Democratic agenda" (Zelizer 2010). Liberal senators, such as Metzenbaum and Kennedy, both voted for tax cuts to the wealthy. The centre of gravity inside the Democratic Party then moved toward business-oriented formations such as the Democratic Leadership Council, which sponsored Clinton as the Democratic candidate in 1992. Edward Kennedy offered a half-hearted alternative to Carter in 1979, along with the short-lived Progressive Alliance, led by UAW president Doug Fraser. After Carter easily defeated Kennedy's bid at the Democratic Convention, the Progressive Alliance soon disappeared.

Reagan's election in 1980 signalled the political defeat of American liberalism, with social democrats and the left in the Democratic Party on the defensive. Jesse Jackson's Rainbow Coalition of 1984 was a last effort in the neoliberal era to promote a social democratic agenda through the Democratic Party, an agenda that was urban based, inclusive of African Americans, and geared toward increasing social spending, job creation, and cuts to military spending (Davis 1999, 274). Even here, most white liberals, labour leaders, and the main body of social democrats — now split from the old Socialist Party and working inside the Democratic Party — supported the mainstream Democratic candidate, Carter's vice president, Walter Mondale. A number of former leftists from the failing Maoist movement joined the party to support the losing cause of the Rainbow Coalition (Elbaum 2002).

For the labour movement, little changed during this rather sorry period. Long-term right-wing leader George Meany resigned in 1979, only to be replaced by the hapless Lane Kirkland. The latter continued the Cold War, employer-collaborationist

approach of his predecessor, as alternative strains within the union movement slowly grew in the face of a series of seemingly endless defeats.

Factions Explode the Mother Ship

By the end of the 1960s, the Socialist Party had divided into three caucuses. One advocated a more socialist-oriented perspective and called for independence from the Democrats. Another, led by Michael Harrington, argued for maintaining a social democratic perspective and working to transform the Democrats from within. And a third, led by Harrington's former mentor, Max Schachtman, called for a right-wing populist political orientation supplemented by a muscular anti-communist, militaristic foreign policy.

In 1972, the Socialist Party shattered into three successor groups. The left-most rump formed its own party, which eventually became today's Socialist Party USA. It remains a small group that runs candidates for mostly educational purposes.[1] Harrington's group formed a centre for social democrats that went through a number of transformations. In 1982, the Democratic Socialist Organizing Committee merged with the New American Movement (itself an organization of New Left socialists, who sought to apply socialist principles in an American cultural context) to form the Democratic Socialists of America. The latter, whose political practice remained centred within the Democratic Party and which still plays a role in 2012, evolved into an interesting mix of democratic socialists and social democrats. The Schachtman group eventually split into right-wing Cold War social democrats, many of whom continued to play important roles in unions for some time, and a smaller cohort of neoconservatives, who staffed elements of Reagan's and Clinton's imperialist bureaucracy and right-wing intellectual centre in the 1980s and 1990s.

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1 Notably, respected socialist scholar and activist Dan La Botz ran for a Senate seat on the Socialist Party ticket in Ohio in 2010. Campaigns such as this might help push the party into playing a more significant organizing role.

One can only speculate about why the Harrington and Schachtman groups ended up the way they did. Harrington's ideology was an interesting mix of social democracy, democratic socialism, gradualism, and American liberalism. While he continued to argue until the end of his life for an eventual longer-term transformation of capitalism, he had great difficulty articulating how to put forward and fight for structural reforms, address the challenge of governing within a capitalist system, and move toward a radical challenge to capitalism. His analysis of the Mitterrand government's experience in France clearly showed that, when push came to shove, he could see no way of moving beyond the structural constraints of private capital accumulation or even neoliberalism (Harrington 1986, 178). Considering the contradictions in his thinking and the real limitations of his political approach, one can understand why he was unable to move beyond a project to transform the Democrats.

The Schachtman group is different. Like many independent socialists, Harrington and Irving Howe, particularly the latter, were always haunted by the challenge of trying to define a socialism that respected and integrated the historical gains of liberal democracy (thus rejecting the authoritarian model of Stalinism and the orthodox Trotskyist movement) while not limiting themselves to being apologists for capitalism and supporters of the Cold War and the imperialist policies linked to it. They were never completely effective in this endeavour. Schachtman and his cohorts, clearly obsessed by the horrible realities of Stalin and the opportunism and hypocrisy of the Communist Party, and reacting to the radicalism of the New Left, moved to a complete rejection of socialist ideals.

American Third Wayism

American social democracy has, in a sense, had a strong Third Way component ever since the New Deal era. But the counterpart to the Third Way turn in Britain and Western Europe — the acceptance of the need for social democracy to embrace not

only capitalism, which it had already done in the 1950s and 1960s elsewhere and in the 1930s in the US, but neoliberalism — came during the Carter and Clinton periods. These presidents claimed to be different from both the hard Right of Reagan and the liberal Left. Clinton signed NAFTA and bargained American participation in the WTO. He approved the infamous welfare "reform" that forced poor people off the welfare rolls into the low-wage precarious labour market and implemented financial deregulation and tax cuts. Furthermore, instead of a real peace dividend in the wake of the end of the Cold War, his foreign policy protected international capital under cover of a supposed defence of human rights.

Clinton oversaw the transformation of Democrats away from identifying with a shrinking labour movement and toward becoming a neoliberal instrument of mild social tinkering and growing competitiveness, especially in the financial sector. He was part of the neoliberal-oriented, business-friendly element in the Democratic Party, unlike those more sympathetic to liberals in the labour movement such as Kennedy and those further to the left. Elected in the George H. W. Bush recession, Clinton promised to correct some of the injustices of the Reagan era, all the while calling for a balanced budget. His campaign was helped — and moved rightward — by the independent candidacy of right-wing populist Ross Perot. Re-elected in the Wall Street bubble that also saw the growth of computer industries and further low-wage growth, his second term accommodated itself to the Republican-dominated Congress led by Newt Gingrich's "Contract with America."

While representing key sections of the capitalist class, Clintonism attracted elements of the new middle class, Wall Street, and working-class Americans, including many African Americans. But inside the party, conflicts remained between Clintonites and anti-racist, old-time left-leaning liberals and social democrats led by Jesse Jackson, as well as with Democratic Socialists of America–oriented activists and members of Congress, and those on the left of the labour movement (AFSCME, UAW,

SEIU, and so on). But while they deplored the abandonment of Keynesian policies, full employment, and the complete acceptance of neoliberal globalization, these elements supported Clinton in elections. New AFL-CIO president John Sweeney, himself a member of the Democratic Socialists of America and a reform candidate who ran against the old AFL-CIO establishment, supported Clinton's election campaigns but was critical of free trade without side deals and protections for labour. Some of the working class supported Republicans because of wedge social issues and the lack of delivery by Clinton on his promises, although the growth spurt that occurred during his administration did keep many of them voting Democrat. Clinton pandered to the socially and economically conservative Republican Congress, and the Left consistently refused to create social movements to challenge either.

Clinton is gone, but Barack Obama has some similarities: he is a political outsider who claims to be able to couple the interests of business with modest reforms to the welfare state. He remains committed to a restoration of a competitive American economy in the context of neoliberal globalization. At the same time, he faced, and continues to face, the most dangerous economic crisis since the Depression. Moreover, regardless of his refusal to identify with fundamental changes to the system and mobilization of the social forces that could bring such changes about, as an African American he must at least promise some improvements to the conditions of the urban masses. This need to deliver something to the president's base could weaken the natural tendency of the administration to articulate reforms in the spirit of reinvigorated neoliberalism. In the context of the fierce opposition from the hard Right, this poses new challenges for American social democrats — and those in the union movement, the Democratic Caucus, and the different social democratic organizations, such as the Democratic Socialists of America.

AMERICAN SOCIAL DEMOCRACY TODAY

For those looking at American social democrats from the outside, the nagging issue remains their ties to the Democratic Party. Why, in the homeland of world capitalism, would a movement that in every other country has organized itself separately from the traditional parties of the capitalist classes be combined with such a party? We have already seen that the political institutions in the United States strongly favour the existence of the two-party system, but, as Mike Davis and others have argued, there is no reason why an independent, class-based party couldn't have contended in the electoral terrain. In the era prior to the New Deal, there were many such projects, at least on the local level.

An important part of the answer to this question involves the political and cultural constraints of living and working in the imperial homeland of world capitalism. There is no doubting the general identification of much of the working class and the leadership and activist core of the labour movement with the American imperialist agenda, as well as the role of that identification in facilitating ties with a bourgeois political party. This is a compelling argument, coupled with the particular experience of the New Deal era and the articulation of political interests among reforming capitalists, liberal intellectuals, and social democratic class leaders. After the New Deal, the relationships that developed during the Second World War and the onset of the Cold War further delegitimized political alternatives, while simultaneously reinforcing the role of the Democratic Party as an instrument for achieving short- and long-term goals. Other elements to be considered include new wrinkles such as the recently passed California Proposition 14, which makes it almost impossible for anyone but the wealthiest or those tied to the two major parties to run for election. Even getting on the ballot is difficult, quite apart from the incredible cost of running for election, the hostility of the labour bureaucracy to any efforts to the left of the Democratic Party, and the weakness and irrelevancy of the labour movement as an electoral force.

Yet another dimension is the fact that the Democratic Party is, after all, a bourgeois party that legitimates the existing system through an ingenious articulation of the interests of select elements of the working class and groups of women, communities of colour, and social minorities, along with certain fractions of the big bourgeoisie. This is nothing new, but when the social democratic wing of the working-class movement is integrated into this type of party, it develops a particular practice, worldview, and means of joining its agenda to that of capital, mobilizing and disciplining the working class in ways that legitimate and facilitate the status quo in the operation of government and the economy. Certainly, European social democratic parties have similarly accommodated themselves to governance of capitalist systems. However, the autonomy from capital in the organic operations of their parties has affected the manner in which they governed, related to working-class institutions, reconciled their programs of social reform with the needs of capitalist economies, and argued for different and bolder ways of reforming the economy, all the while maintaining the domination of private capital.

As social democratic movements around the world changed, after decades of being tied to parties that were either governing or alternating in power with more conservative parties, their identification with the interests of the working class as a whole, as well as their organic ties to their respective labour movements, dramatically weakened. This has culminated in the Third Way era, where neoliberalism came to be assimilated and championed by social democratic parties. Given that experience in other countries, it would seem highly unlikely that American social democrats would break with the Democratic Party. In reality, many mainstream US social democrats became nothing more than liberals in the 1950s and 1960s, and lost any organic links to a working-class constituency. Even the reforming elements who identified with this political orientation became further subdued.

Social Democrats, Democratic Socialists, and the Democratic Party

Notwithstanding the above, it would be wrong to give the impression that all American social democrats can be subsumed under the category of "mainstream liberals." Traditional American liberalism has, for the most part, become a *rara avis*, as the space to champion both the rights of working people and the competitiveness of the capitalist economy has become narrow indeed. One can think of such names as the late Paul Wellstone, Dennis Kucinich, and Maxine Waters, political figures who have defended the rights of working people and the poor, called for the extension of the social safety net, argued for publicly sponsored job creation programs, and generally opposed militarism. Most people identify the term *liberal* in this era with those who argue for progressive positions on *social* issues, rather than with a crusade for social justice. But the tradition of and the political space for the classical postwar liberal is long gone today.

Yet in recent years, activists with a social democratic orientation have started movements to develop political organizations outside of the Democratic Party. Two such projects were the US Labor Party, founded in 1996 by a renowned labour activist, the late Tony Mazzochi, and the New Party, active from 1992 to 1998. The Labor Party concentrated on developing independent campaigns at local levels. It had support from the odd national leader and local American union, but only if its candidates didn't run against Democrats or if a candidate had a legitimate chance of winning. It was also supported by a number of centres of left-wing political dissidents in and around the labour movement. The party raised key social democratic demands such as single-payer Medicare, extension of social security, and legislated union and health and safety rights. It faded with the decline of union militancy and the death of Mazzochi. Where it still exists today, it mainly supports Democratic Party candidates and single-payer Medicare.

The New Party was at one time associated with a network

of community reform movements such as Association of Community Organizations for Reform Now (ACORN). It combined organizing and engaging in electoral campaigns on local levels with providing another space for Democratic candidates to run, sometimes creating opportunities for left-wing dissidents to engage in the primary process. It, too, has faded throughout most of the country. There are also other small, local examples of third-party local candidates, as well as the Ralph Nader national presidential campaigns, more recently run under the banner of the Green Party. Nader developed some solid social democratic issues in his run in 2000 but was the target of strong attacks by those who blamed him for Bush's first election.[2]

Other centres of social democratic activism reflect political orientations that style themselves as "progressive" and "democratic," some of which include more radical left-wing positions. In 2004, during the George W. Bush era, a new group of social democrat–influenced Democratic legislators and activists formed the Progressive Democrats of America (PDA) out of the presidential campaigns of Howard Dean and Dennis Kucinich. This group acts as a PAC (Political Action Committee) operating inside the Democratic Party and in social movements. Its purpose is to revitalize the Democratic Party "built on firm progressive principles"; its mission is not to replace the party with an independent social democratic party but to transform it into a more progressive voice. This, of course, is thoroughly consistent with the failed projects of most social democrats since World War II. While the PDA (www.pdamerica.org) is relatively unconcerned about the alliance with capital that the Democratic Party represents, it is anti-war and critical of Israel, and it supports bold state-intervention initiatives, albeit from a left-Keynesian perspective, to address the need for jobs and social justice. Many of its supporters and members engage in various single-issue movements, from opposition to the Afghanistan and Iraq wars

2 I draw here on conversations with Dan La Botz, 13 July 2010, and Jane Slaughter, 14 July 2010.

to Palestine solidarity, immigrant rights, and the job creation movement.

A blogosphere of American social democrats and such magazines as *American Prospect, Dissent, The Nation,* and *In These Times* reflect perspectives that range from left liberal — calling for revised approaches toward the war in Afghanistan, stronger regulation of the financial sector, and a new popular front (Kazin 2010) — to endorsements of sweeping Keynesian-inspired job creation, environmental transformation, and single-payer Medicare, to more radical and socialist demands. As well, various academic and policy-oriented activists who can roughly be called left social democrats have contributed new ideas for revitalizing the American economic and social fabric. They include such people and organizations as the Economic Policy Institute and the authors of *A Progressive Program for Economic Recovery and Financial Reconstruction* (http://www.policyinnovations.org/ideas/policy_library/data/01521).

The Democratic Socialists of America (DSA), a member of Socialist International, is a more complex phenomenon.[3] With seven thousand members and a thousand activists, it is the largest social democratic formation in the United States. Declaring itself to be democratic socialist in orientation, the DSA holds political positions that reflect both social democratic and socialist approaches. It is far from disciplined, and its members range from those who work for immediate reforms within a traditional social democratic orientation to those who aim to build a socialist alternative to capitalism and support a more radical set of immediate demands that go beyond a Keynesian orientation.

Many DSA members participate in social movements and trade unions, although they are overwhelmingly college graduates with a low level of working-class participation. While little coordination exists among DSA members who work in different

3 My discussion of the DSA is informed in part by conversations I had with an older member of the DSA and a younger member of the Young Democratic Socialists.

unions and movements, the organization includes a remarkable mix of veterans of the Harrington-Howe era of American social democracy, former and current members of socialist left-wing groups, and a youth wing that includes Marxist-inspired democratic socialists and social democrats. The DSA has no official press, although it does publish the magazine *Democratic Left* and a labour newsletter. It also organizes occasional educational sessions and forums in different communities.

To get a sense of some of the contradictions within the DSA, one has only to look at the content of its website and political materials (www.dsausa.org). One can find a presentation by noted socialist educator, activist, and DSA member Bill Fletcher Jr. on the need for a socialist party, mass activism, and education as well as a presentation from the Left Forum on the need for a new Economic Bill of Rights, which includes mostly Keynesian-type demands. But the latter also includes comments by Joseph Schwartz, the DSA's vice-chairperson, to the effect that these rights can never be attained without taking over private capital and transforming the economic system.

While the DSA, for the most part, remains tied to an electoral practice within the Democratic Party, some of the older social democratic elements in the organization are still inspired by Michael Harrington's vision of transforming the Democrats into a social democratic party of the European type, whatever that means in today's context. Many DSA members, however, simply see no alternative to working through the Democrats, given the limitations of the American political system. A small minority questions the utility of this kind of political activity but can't see how one can move beyond it. If one identifies electoral activity reflexively with the Democrats, then it is easy to argue that electoral activity itself needs be avoided.

Conversations with DSA members give the impression that they have no sense of a crisis over the prevailing political paradigm within the DSA, so it is unlikely that there will be any critical debates over the course of its collective political practice anytime soon. Although most DSA members seem to be critical of

the Obama Administration's orientation, some thought that his election would bring about the possibility of another New Deal while others were skeptical from the beginning. This, of course, mirrors similar divisions in the American Left overall. The general consensus is that a movement must be built to push Obama to move toward bolder reforms and more progressive policies.

Within the DSA and across the political spectrum of the American Left, those who argue for engaging with the Democrats — that is, social democrats and democratic socialists — are divided about *how* to work with the Democratic Party. One key line of demarcation is whether they wish to make the Democratic Party more effective, progressive, and radical, or whether they see working in the party as a tactic to connect with workers or other constituencies that eventually need to become part of a larger socialist movement. Unlike socialists, social democrats as a whole still believe that the Democrats can be transformed — but what they wish to transform it into is not very interesting.

Socialists are divided about whether or not working inside the party makes sense, but they generally agree on their strategic goal of eventually building a larger, independent socialist party. Major differences remain, however, over whether this requires participating in Democratic primaries or local organizations, or even supporting campaigns of progressive Democrats for Congress, local office, or the presidency.

The Right Rises Again

Moving into the November 2010 Senate elections, Obama had successfully passed his compromised health care package, which was to operate through a system of private corporations, without a public option of any kind. Despite its limitations, it was bitterly opposed by Republicans and some "Blue Dog" right-leaning Democrats, as well as the more progressive and social democratic–oriented Democrats on the left (although many of the latter ultimately ended up supporting it). The social democratic left, though rather critical of the deal, was divided about

whether it represented a glass half full or half empty. The modest stimulus package, part of the bailout of the finance and the auto industries, had also by this time run its course.

With Obama's seeming unwillingness to address the growing gap of income and wealth, increasing profit levels of banks and corporations and the deepening unemployment crisis became huge issues for the social democratic left; going into the congressional and state elections of 2010, these issues had rather demobilized and demoralized much of the Democratic base. Simultaneously, the lack of organized movements or left-wing alternatives from below enabled the far Right to organize and build a base of white, upper-middle-class and disgruntled working-class supporters around an orthodox neoliberal economic platform and a call for minimal government. The result was a victory for Republican conservatives, who took over the House, reducing the Democratic majority in the Senate and winning a number of key state governorships and legislatures. Out of a total of thirty-seven gubernatorial races in 2010, the Democrats won thirteen and the Republicans twenty-three (with the other going to an independent).

Shortly thereafter, the tenor of the main political and media voices shifted noticeably to the right. The Republican House caucus called for a national austerity agenda characterized by deep cuts to social progams and limits on government borrowing. State governments — Democratic as well as Republican — began an attack on public services and the rights of unionized public sector workers that threatened the very survival of public sector unionism itself.

The coffers of state governments, and those of the municipalities in those states, were already starved of funding through the effects of both the recession and the end of the moderate stimulus package from the federal government. But the new austerity offensive sponsored by states was unprecedented and went beyond any real concern for maintaining government finances. It was also deeply unpopular (Cooper and Thee-Brenan 2011). States with new Republican majorities such as Wisconsin,

Ohio, Florida, and Indiana led the way, but those with strong Republican governors — and even those with Democratic legislative majorities and governors — followed suit (Tavernise and Sulzberger 2011; Pérez-Peña 2011; Levenson 2011; Cooke 2011; La Botz 2011).

Wisconsin: Attacks and Resistance

Wisconsin — the home of the progressive traditions of La Follette, municipal socialism, the New Left, and more modern left-wing politics, as well as a hard right-wing populism identified with McCarthyism and today's neoliberalism — became the touchstone of the attacks, as well as a symbol of a new labour and popular resistance that began from below. Republican Governor Scott Walker, with a majority in both houses of the legislature, issued a frontal attack on public sector unions and social service recipients. He sponsored a so-called budget repair bill that drastically limited the scope of collective bargaining for public sector unions, ending automatic dues deduction and forcing annual recertification. The bill purposely exempted police and firefighters in order to target and isolate the rest of the public sector. The governor also targeted programs for the poor and funding for public education.

While similar attacks occurred in other states — leading to resistance movements of various kinds — the Wisconsin events became a central focus of the struggle. The huge and creative protest that arose from below challenged the notion that the American labour movement was effectively dead. As tens of thousands of union supporters protested the despicable legislation, it became clear that layers of the working class, unions, and the general Left in the United States were prepared to build new and different forms of fightback. The struggle included occupations of the State Capitol, daily marches, and youth-inspired civil disobedience. It brought out private sector workers and unions, high school and university students, and tens of thousands of public sector workers and supporters. The firefighters and (for

a time) the police supported the struggle. Democratic legislators hid out in neighbouring states, denying Walker the needed quorum to pass the law. Eventually, he used a legislative manoeuvre to get the changes voted in. At that point, the protests subsided, and the movement shifted toward an emphasis on recall elections. The first round of recall votes, held in July and August 2011, targeted nine state senators, three Democrats and six Republicans. The outcome was moderately productive, with the Democrats holding on to all three of their challenged seats and the Republicans losing two of theirs, but it was not enough to overturn the Republican majority. At the end of March 2012, after a series of successful petition drives, recall elections for Governor Walker, the lieutenant governor, and four more Republican state senators (one of whom subsequently resigned) were announced. These will take place on 5 June.

There were smaller protests against similar attacks in Ohio, where the movement succeeded in placing a referendum on the ballot, which allowed people to undo Republican Governor Kasich's bill, SB 5. The bill, which was overturned in the referendum on 8 November 2011, would have stripped public sector workers of both the right to strike and collective bargaining. Since then, in February, Indiana passed a right-to-work law, which curtailed the rights of all unionized workers in the state.

Lessons and Debates from the Resistance Experience

The mass struggles in Wisconsin and, to a lesser degree, elsewhere were a major step forward. The excitement and exuberance felt across the labour movement, the larger progressive community, and the Left were palpable and justified. However, they were also emblematic of a set of political and organizational challenges, contradictions, and weaknesses facing the Left and the labour movement.

The government attacks were unprecedented. They included major, historically significant attempts to attack the foundations of public sector unionism and further unravel key aspects of the

gains of the liberal–social democratic era. With the defeat of private sector unions, the public sector remains the last bastion of unionism in the US. Many of the state governments proposed restrictions on voting accessibility and not-so-subtle attacks on the poor and people of colour. Much of this was challenged in the streets by a new movement that included coalitions built across the organized working class. While in Wisconsin, at least, most of the right-wing attack remains in place, the perpetrators (and especially their business backers) now know that such actions will carry a political cost. More importantly, a new generation of young people, students, rank-and-file union members and low-level union officials, and working people have had a taste of collective resistance and political activism. This is key for the future of social democracy (Dave Poklinkoski, personal communication, 8 September 2011; see also Poklinkoski 2011).

Despite this surge of activism, the movement in Wisconsin and those inspired by it in other states and cities have not succeeded in either stopping the attacks or in building the political infrastructure necessary to change the larger political climate. The debates around these deeper issues involve familiar and long-simmering questions: How can a more effective set of mass movements be built to topple the right-wing state government agendas? How can movements be created to unite the disparate elements across the working class? What should be the role of the Democratic Party and electoral political activity, and what should characterize the relationship of both to the Left? And how can the capacity of the labour movement be rebuilt? All of these would be answered differently depending on the perspective of different elements of the Left, be they socialists, social democrats, or middle-of-the-road liberals.

The Wisconsin demonstrations and recall efforts did not address the weaknesses that led to the petering out of the mass resistance and the failure of the recall efforts. Social democratic and left-liberal analysts praised the Democratic legislators whose flight across the state border helped postpone the passing of Walker's agenda. They put great stock in the recall campaign.

Their larger perspective on Wisconsin's resistance is geared toward strengthening the progressive forces within the Democratic Party and the latter's capacity to challenge the Republicans in upcoming state, congressional, and presidential elections. While it is true that they tend to support the building of the kind of movements that were created in Wisconsin to oppose the anti-union agenda, their overall political strategy is to have these movements act as a kind of critical pressure point on Democrats to force them to act in a more progressive manner or to galvanize the party into a more activist opposition to neoliberalism (Hayden 2011; Nichols 2011a).

Left-wing socialists pose deeper questions. They argue that ending the mass resistance reflected deeper weaknesses that need to be addressed over time. These include the divisions between public and private sector workers; the lack of education among the general public about the causes of austerity and its roots in the capitalist system itself; the need to build links between the poor, communities of colour, the unemployed, and recipients of social programs with the labour movement; and the lack of any longer-term plan to organize campaigns inside and across unions to work toward bolder and more effective forms of civil disobedience, such as general strikes. They point out that the recalls could have served as mass education campaigns about the social forces and structures underpinning austerity, possibly organized by some of the new organizations such as We Are Wisconsin. Instead, the recalls relied on the lowest common denominator and were crafted by those who usually run Democratic Party electoral campaigns. Appealing to the threats to the American Dream and the middle class, they denounced Walker for fomenting unnecessary divisions. In fact, they often avoided political education completely, instead concentrating on "getting out the vote" (Poklinkoski, personal communication; Brenner and Slaughter 2011; La Botz 2011).

Social democratic and liberal activists tend to praise the labour movement for engaging in the struggle. Left-wing socialists, however, tend instead to look at what transformations are necessary for unions to become the effective instruments of real

change. They call for the defence of public sector unionism as well as social programs and argue that education and mobilization inside unions and across communities need to precede a larger, new offensive strategy that the unions are currently unable or unwilling to muster.

Obama and the Larger Political Environment

During the period from Obama's election through the summer of 2011, the dominant political voices were shaped by the Right. Obama adopted what appeared to be a kind of Clintonian triangulation strategy, which infuriated and engaged many liberals and social democrats. *The Nation*'s William Greider and others even mused about the possibility of starting a new political movement within the ideological confines of social democracy (Greider 2011; Nichols 2011b).

Obama appeared to accept the discourse of debt reduction and agreed to trade off an extension of Bush's tax cuts for the wealthy in exchange for extending Unemployment Insurance benefits. He continued appealing to bipartisan problem solving in a context where Republicans were intransigent and moving further to the right. The Obama Administration offered almost no response to demands from trade unionists, the liberal wing of the Democrats, social activists, and socialists to address the slowing economy, housing foreclosures, and mass unemployment.

In July, when the Republicans threatened to refuse to raise the debt ceiling, the president waffled. At one point, he offered to make cuts to key social programs such as Medicare and Social Security. Ultimately, he agreed to almost $1 trillion worth of spending cuts over the next decade in return for an increase in the debt ceiling ("The Debt-Ceiling Deal" 2011). While President Obama's compromise agreement supposedly avoided cuts to key social programs as well as tax increases (at the insistence of the Republicans), the left in the Democratic congressional caucus, as well as social democrats and those further to the left, opposed it (Nichols 2011c; Greider 2011).

In a change of strategy, in early September, Obama came up with a job-creation plan, followed by a deficit-reduction proposal. The former called for modest spending increases for infrastructure, schools, and teacher hiring; an infrastructure bank; and cuts to payroll taxes. The deficit-reduction proposal called for increased tax rates on those with incomes over $250,000 after the Bush cuts expire. The proposal was embedded in a left-populist rhetoric, calculated to inspire elements within the Democratic voting base and presenting somewhat of a challenge to the no-tax rhetoric of the Republicans. Obama also proposed $580 billion in cuts to health and welfare programs, with $248 billion coming from Medicare and $72 billion from Medicaid (Nichols 2011d).

Using his new populist appeal, the president sought to draw a rhetorical distinction between himself and the Republicans. In a speech at a Colorado high school made up of poor Latino students, he said: "If asking a millionaire to pay the same tax rate as a plumber or a teacher makes me a class warrior, a warrior for the middle class, I will accept that; I'll wear that as a badge of honor, because the only class warfare I've seen is the battle that's been waged against the middle class in this country for a decade now" (quoted in Landler 2011). Obama spent much of September 2011 travelling by bus across the American heartland, touting his newly found political persona.

Many of the various elements within the large progressive community praised the president's relative pugnacity toward the Republican Right and called for a much larger and more audacious spending package. Many were also critical of the proposed cuts to Medicare and Medicaid.

The Response of the Social Democratic Left

During this entire period — stretching from the November 2010 Senate elections toward what might become a more populist phase of the Obama Administration — the strategy of much of the social democratic left evolved. It moved from a nervous impatience with the direction of the Obama presidency, to a more outspoken

critique, to the sponsorship of a number of projects geared toward mobilizing the various strata among those who were victims of the deepening economic slowdown and financial crisis, and pressuring the administration and the Democratic Party.

These projects have various degrees of autonomy from the Democratic Party. Almost all retained a familiar ideological and discursive framework associated with liberal–social democratic notions, including nostalgia for the postwar era of growth and relative equity, appeals to individual upward social mobility opportunities through references to the American Dream, and defence of a middle-class ideal. The demands of these various projects also involved efforts to introduce tax equity of sorts, protection for those facing foreclosures, counter-cyclical spending, infrastructure programs, limits on trade liberalization, defence of public sector unionism and social programs, regulation of the financial sector, and a reluctance to challenge the reliance on private accumulation as the principal engine of economic growth (http://contract.rebuildthedream.com/; Borosage and Vanden Heuvel 2011; Greider 2011; Hayden 2011; Kazin 2011).

Some of the union projects include political organizing by the Service Employees International Union (SEIU), through its Fight for a Fair Economy; the Communications Workers of America (CWA), through its proposed We Are One campaign; the AFL-CIO, whose president, Richard Trumka, has called for "a full-time, around-the-calendar political program" (Nichols 2011a); and the National Nurses Union, with their Blame Wall Street campaign. New coalitions have also emerged in Wisconsin, Ohio, and other states. All of these organizations are geared toward resisting attacks on union rights and pressuring political candidates to oppose the right-wing agenda. On paper, at least, they call for engagement with their members as well as with people in their communities, but how successful they will be — and how independent of the dominance of Democratic Party interests they will remain — is yet to be seen. Like these groups, the left of the Democratic congressional caucus has also remained critical of the Obama strategic direction.

Other projects, such as the Contract for the American Dream (http://contract.rebuildthedream.com/) and the petition to run primary challenges to Obama as a way of pressuring him to move toward the left (Nichols 2011e), merge with similar appeals on the social democratic left. They hope to operationalize the long-standing strategic argument raised by most people on the Left, including many socialists: namely, that mobilizing social movement pressure from below against Obama is the way of forcing the kinds of progressive reforms necessary to get out of the crisis and move beyond the limits of neoliberalism. The experience of the social movement pressure on the Roosevelt Administration in the 1930s is almost always invoked as a model of sorts.

Almost all of the projects mentioned in this section remain tied to a larger effort to transform the Democrats into a party of progressive change, often emphasizing the New Deal roots of that party's alleged progressive nature. For example, John Nichols (2001e), writing about the proposed slate of primary challengers to Obama, talks of the plan to "give voice to the fundamental principles and agenda that represent the soul of the Democratic Party, which has increasingly been deeply tarnished by corporate influence."

In the fall of 2011, the Occupy movement burst out across North America, with its base in Zuccoti Park in the heart of New York's Wall Street financial district. It was a unique protest movement that challenged inequality, the role of the financial sector, and the oppressive job market, in the wake of the financial crisis. While it didn't coalesce into a coherent *political* movement, at the very least it forced the overall political discourse to accommodate concerns about inequality and the obvious impoverishment of so many working people. It also built all kinds of links to the labour movement and other activist projects.

How the issues raised by the Occupy movement will affect the larger political terrain is unclear. There is a general trend across the left of the political spectrum for political actors to claim the legacy of Occupy as their own. Whether it will contribute to strengthening the labour movement, Democratic Party

electoral interests, social democracy, left-wing populism, or a renewed socialist movement is yet to be seen. Challenges to austerity and the gross levels of income disparities can be articulated with all kinds of political projects on the left (Early 2011; Fletcher 2012; Yates 2012).

CONCLUSION

When people look at the Third Way identity of much of social democracy today and say, "This isn't social democracy," they are wrong. This *is* social democracy, just as North Korea and China illustrate what communism has become. Mainstream social democracy as a political movement — whether American, European, or Asian — has become independent of a true working-class base (considering all of the principal segments of that class today). It no longer argues and organizes for major reforms within capitalist society; it accepts, for the most part, the limitations of neoliberal globalization; and finally, it has no relation to any transformative project against capitalism (Katznelson 1978; Aronowitz 2006, 19).

But that doesn't mean that social democratic voices have no place in the larger political discourse of the United States or elsewhere. The demands and reforms raised by left-leaning social democratic activists and thinkers are often central to the real needs of working people. There will always be those who argue that you must work toward a more humane and workable capitalism that points to the ideals of the postwar era: fair markets, more egalitarian income distribution, social justice, a more managed system of markets, and constant progress (Walzer 2010, 37–43).

The problem is that this perspective is incompatible with the workings of neoliberal capitalism, and this incompatibility is reinforced in the United States by social democrats' organic ties to capital through the Democratic Party. Those who put forward reform agendas that fail to take into account certain realities are doomed to accommodate the real structural exigencies of competitiveness regardless of their intentions. Those realities

include the need for initiating more radical structural reforms that limit the power of capital, reconstituting a class project out of the segmented elements of the working class, and encouraging forms of struggle in the workplace and the community terrain that reflect a class struggle perspective.

This is so for political and structural reasons. Without moving beyond the limits of Keynesian tinkering, capital will be able to dismiss even the most moderate of demands as beyond the pale. Furthermore, the boldest and widest programs for reinvigorating the infrastructure of American cities, increasing state spending, addressing dramatic inequality in income and waelth, and fully controlling financial markets will never see the light of day politically as long as those who argue for them remain trapped within the Democratic Party orbit. Perhaps proponents of such programs can use Democratic primaries or other spaces to put them forward, but the partnership with capital that is integral to the Democratic Party will never allow them to become policy — at least in a form that can lead to any real transformation. This is even more likely in an era when the Republican Party has staked out such a radically conservative terrain, pulling the Democrats further to the right.

Much is being said today about the necessity of building social movements to pressure the Obama Administration to engage in a genuinely Keynesian reform agenda. Perhaps what is critically needed is something that did exist (notwithstanding all of its limitations) in the New Deal era — a series of parties and movements that identified capitalism as the fundamental problem and argued for an alternative social system. Maybe it is time for democratic socialists within the broader social democratic formations to open up a dialogue with socialists involved in the various social movements (such as labour, community struggles, anti-poverty coalitions, immigrant rights, Occupy, and the US Social Forum) and in other more openly socialist formations (such as Solidarity, ISO, FRSO, and Committees of Correspondence) to generate a socialist underpinning for a new political project that challenges the system.

THE BRITISH LABOUR PARTY

In Search of Identity Between Labour and Parliament

BYRON SHELDRICK

The British Labour Party has always held a unique place in the history of social democracy. As the birthplace of the Industrial Revolution, Britain can claim to have witnessed the emergence of the working class. The fact that Marx and Engels did much of their writing in England and based many of their observations on the conditions of the working class in its great industrial cities makes the history and trajectory of working-class politics and, by extension, the Labour Party, particularly significant. The Labour Party itself, however, has a history that, for many, is at best mixed. It has had high hopes yet has frequently failed to deliver (Coates 1996). The party has struggled to establish its identity: Is it a working-class party, a socialist party, or a party for all people? It has struggled to balance the conflicting demands of maintaining both electoral viability and a deep connection to its broader core constituencies.

I would like to thank the editors of this volume for their patience and advice as I wrote this chapter. I'd also like to thank Melanie Joyner, of the University of Plymouth, for her insights into the current state of British politics, and Alexandra Liebich for her tremendous research assistance. The paper owes much to the work of Colin Leys and Leo Panitch, who remain two of the most perceptive commentators on social democracy in general, and the British Labour Party in particular.

The inability to resolve these issues of identity has left the party particularly ill-suited to resolve the fundamental and deep contradictions of capitalism in Britain. As a result, despite relative electoral success in recent years, the party continues to be unable to provide a convincing response to economic crisis. Instead, it has retreated to a narrow electoralism based on an understanding of class not as a fundamental organizing principle of society but as a demographic construct for orienting electoral appeals. In part, this tendency reflects the historical origins of the Labour Party and the limits inherent to its structure. Rooted in the twin elements of labourism, on the one hand, and parliamentarianism, on the other, the party has never been able to develop a critical understanding of capitalism or of the limits and contradictions of the British economy. As a result, it has largely understood attempts to embed itself in the working class and to engage in an exercise of collective identity formation as fundamentally irreconcilable with electoral victory.

The limits of labourism and parliamentarianism that inform the Labour Party project have been exacerbated by the British electoral system. The first-past-the-post, winner-take-all nature of British parliamentary elections has given the party a considerable degree of electoral success. In the face of crises of capitalism, the party has been able to operate within fairly narrow policy parameters (those of the postwar consensus throughout much of the twentieth century and neoliberalism since 1997) that permitted both success at the polls and the rhetorical assertion of values of left progressive politics. All the while, the party could ignore the need to address the underpinning class character of British society and the need to redraw class relations. The limits of this electoral strategy have become abundantly clear in the wake of the global financial crisis of 2007 and Labour's most recent defeat at the polls. The leadership race that culminated in the victory of Ed Miliband (ostensibly the more left-wing candidate) over his brother David (associated with the New Labour project of Tony Blair) demonstrates the fundamental weakness of the party and the extent to which any pretence of being a left-wing party

dedicated to even the limited agenda of confronting capitalism through regulation has been largely abandoned.

This chapter is divided into three parts. I begin with an examination of the origins of the Labour Party, detailing how its organizing framework is dominated by the twin principles of labourism and parliamentarianism. In the second section, I explore how these beginnings have affected the party's overall approach to broad policy questions and, in particular, how they have structured the party's approach to regulating capitalism and dealing with economic crisis. The limits of that approach have led to unwillingness to open the party to more radical inclinations within either the labour movement or broader social movements. The third section looks at the party's unpreparedness for the demise of the postwar consensus and how being caught unaware prepared the ground for two decades of Conservative rule. As Colin Leys (1983) argues, the Conservatives under Thatcher were prepared to grapple with the fundamental issue that Labour steadfastly avoided: restructuring class relations in Britain and the class basis of public policy. Subsequently, New Labour under Tony Blair and Gordon Brown accepted the parameters of British politics established under Thatcherism. Under the guise of modernization, they pursued a relentlessly electoral strategy that accepted neoliberalism and market-based politics as a new consensus. I conclude this section with a discussion of Labour's defeat at the hands of the Conservatives in 2010 and the potential for a Labour resurgence after the conclusion of the recent leadership contest.

THE FOUNDATIONS OF THE BRITISH LABOUR PARTY: LABOURISM AND PARLIAMENTARIANISM

Much has been written on the history of the Labour Party, and it is not my intention to retrace its history in detail. (For that, see Thorpe 2008; Leys 1983; and Panitch and Leys 1997). Nevertheless, it is important to understand the historical context in which the party emerged. Near the end of the nineteenth

century, left-wing political parties had limited success in Britain (Leys 1983, 172). The Social Democratic Federation (SDF) and the Independent Labour Party (ILP), founded in 1883 and 1893, respectively, fielded a number of candidates in general elections, all unsuccessfully. This contrasts starkly with the situation in continental Europe, where socialist parties had made significant inroads into both electoral politics and working-class consciousness. In France by 1910, left-wing political parties controlled 42 percent of the seats in the Chapter of Deputies, while in Germany by 1912, the Social Democratic Party was the largest party in the Reichstag (172).

The failure of working-class parties to develop a rich class consciousness in England in the wake of the Industrial Revolution may seem somewhat counterintuitive, particularly given England's history as the birthplace of the revolution. However, by the end of the nineteenth century, industrialization in both the United States and continental Europe had taken off. Moreover, it had done so on a much more rational and technological basis than in England. Working-class parties therefore organized and mobilized within the working class in order to respond. In Britain, however, while trade unions had developed considerable strength and power within the British economy, they had not felt the need to mobilize politically. With the franchise extended to workers, both the Conservative and Liberal parties actively courted working-class votes. The leadership of the trade unions was overwhelmingly supportive of the Liberal Party and did not see a great need to pursue the independent representation of labour's interests in Parliament. At most, Liberal and labour parties co-operated to ensure that they did not compete against each other in ridings where to do so might lead to a Conservative victory. This produced a number of "Liberal-Labour" representatives adopted as Liberal parliamentary candidates. In the 1895 election, twenty-four such candidates were selected and nine were elected to Parliament (Leys 1983, chap. 3).

At the same time, British industry had generally not changed its manufacturing processes throughout much of the nineteenth

and early twentieth century. Consequently, British labour did not have to confront the same degree of industrial restructuring and technological innovation as its counterparts on the continent. It was not until the economic depression of the 1890s, when British industry attempted to restore profits through cuts in wages and the courts began to strip away various trade union immunities, that British labour sought, in a serious fashion, to establish independent representation in Parliament (Leys 1983, chap. 3).

In 1899 the Trades Union Congress agreed to establish the Labour Representation Committee (LRC), which included representatives of the ILP, the SDF, and the Fabian Society. The LRC immediately began to have an impact on the shape of British politics. In 1906 it successfully returned thirty candidates to Parliament, which, combined with twenty-two Liberal-Labour MPs, formed, for the first time, a party specifically representing labour. After the 1906 election, the LRC and labour MPs became known as the Labour Party and were directly supported by the trade unions. It still took until 1918, however, for the party to establish a membership base, organized through constituency parties at the local level. But that membership base was to complement and not replace the special relationship between the party and its affiliated trade union organizations (Leys 1983, 172).

By 1918, then, the broad parameters of the framework that would guide the development of the Labour Party were well in place. First, the party was not intended to be a socialist party and the advancement of a socialist project was not part of its agenda (Leys 1983, 174). Rather, it was explicitly organized as an independent group within Parliament that was to speak for the interests of labour as represented by trade unions. The LRC did not include the achievement of socialism as one of its objectives; indeed, the SDF eventually left the LRC over precisely this issue (174). As Leys points out, this inclination was further supported by the Fabian Society, an organization of middle-class reform-minded intellectuals who gradually shifted support from the Liberals to Labour (173).

The party, then, understood itself as the voice of the trade unions. This was the essence of its labourism. It would be wrong, however, to suggest that the labourist focus of the Labour Party project was completely antithetical to radical alternatives. Indeed, as trade union membership grew and craft-based unions were replaced by industrial unions of largely unskilled workers, an appetite for more radical alternatives developed among workers. Nevertheless, the leadership of the LRC did not feel that workers were ready for socialism; rather they hoped that, over time, socialism might emerge out of a reformist program (Leys 1983, 173). This approach had lasting consequences for the party. Even Clause IV of the party's constitution, which dedicated the party to "secure for the workers by hand or by brain the full fruits of their industry . . . upon the basis of the common ownership of the means of the production," was understood by the party leadership not as a radical call to reshape the means of production but rather as a "Fabian blueprint for a more regulated, more advanced form of capitalism" (Miliband 1973, 62; Leys 1983, 173).

The tendency toward labourism had the effect of limiting the scope of the party's ambitions. This was reinforced by its parliamentarianism. The notion that the party should be governed by its parliamentary wing and by the overarching goal of securing representatives in Parliament was central to the project from the outset. This tendency had several important consequences. First, it incorporated the view that while the party was to represent the interest of workers, this was to be done through parliamentary action. Consequently, extra-parliamentary activity — in particular, strike action — was frowned upon as undemocratic and as undermining the legitimacy of parliamentary action (Leys 1983, 174–75). This, in turn, meant that the party itself did little to develop a base of support outside of Parliament. It was simply assumed that trade union members would support the party, which would advocate on their behalf through Parliament.

This arrangement led to a conception of the Labour Party in which the parliamentary wing of the party was largely independent from the base. In 1918, however, when the formal

constitution of the Labour Party was adopted, trade union membership was rising strongly, and the party had no choice but to take advantage of this increasingly powerful and important base of support. The Labour Party Conference was given formal autonomy, but it was clear that parliamentary members of the party would continue to operate with considerable independence. Effectively, the 1918 constitution "grafted a mass individual-membership, organized 'Constituency Labour Parties,' onto the structure of affiliated labour organizations created by the LRC" (Leys 1983, 176). While changes have been made to the party structure, particularly during the modernization phase of New Labour, the essence of this structure has remained in place and has been at the heart of Labour's identity crisis as it has struggled to respond to the needs of its constituents and the pressure to succeed electorally. Born out of a twin commitment to labourism and parliamentarianism, in many respects, the dye was cast for the British Labour Party. Pressure from the base urging the party to move to the left and to articulate a progressive socialist position has generally been unsuccessful in the face of the widespread perspective — articulated by the membership of the party, the trade unions, and the Labour leadership — that to do so would mean electoral disaster (Panitch and Leys 1997).

LABOUR IN THE POSTWAR PERIOD: OPERATING WITH CONSENSUS

Before moving on, two points must be made. The first is that the British electoral system reinforced the conservative tendencies implicit in both labourism and parliamentarianism. Britain's single-member plurality system operates on a winner-take-all basis. In many countries, this has militated against the interests of left-wing parties, as such a system tends to reward parties that have concentrations of votes and penalize parties whose support is widespread but not concentrated geographically. The Labour Party sees the effects of this, with its clear areas of strength in industrial areas of the country: the Midlands, the

North, and Scotland. In southern England, by contrast, where a great many seats are to be had, Labour has had relatively poor showings. One effect of the first-past-the-post system, however, is to highlight the importance of swing ridings. Indeed, the difference between forming the government or the opposition may, especially in two-party systems, depend on a handful of swing ridings. Parties therefore often tend to focus their appeal on voters in these ridings, but this approach is generally not conducive to the formation of a mass-based movement. The parliamentary party, intent on victory, focuses on the desires and preferences of a narrow range of voters even though this may not accord with the will of the party membership at large.

In Britain, Labour has historically resisted suggestions to reform the electoral system and adopt some version of proportional representation. While this would have the salutory effect on British politics of permitting more ideologically based appeals and would encourage parties to develop deeper roots with their membership (indeed, to invest in developing and cultivating a membership), Labour has generally been opposed. In a two-party system, as Britain has tended to be for much of the period since the end of the Second World War, Labour can count on doing fairly well from the single-member plurality system. Proportional representation might lead to left-wing competition and erode Labour's comfortable position as the electoral voice of the Left. Arguably, such electoral competition would create a more vibrant left-wing representation in Parliament and force Labour to reconnect with its own base. The party would also have to respond to other voices besides its right wing, which has always claimed a monopoly on the road to electoral victory.

The second point is that the narrow electoral approach solidified Labour's inability to confront capitalism. Inherent in both labourism and parliamentarianism is the expectation of cross-class collaboration and the acceptance of capitalist social relations. For the Labour Party, this has meant operating within a fairly narrow range of manoeuvre that would satisfy both workers' demands for better wages and working conditions

and industry's demand that its interests not be threatened. Throughout the postwar period, this meant operating within the constraints of the Keynesian postwar consensus. Essentially, this consensus implied a faith in the regulatory power of the state, a commitment to full employment (primarily through demand management strategies), and a commitment to the welfare state to provide income security for the unemployed, benefits to the elderly and the ill, and as a vehicle for state spending and investment.

While there were some more radical elements to the consensus, including nationalization of industries under the first postwar Labour government of Atlee, even here the radical potential was muted. As Leys (1983, 58) observes, generally only those industries that were failing and/or declining were nationalized. As a result, industrialists were not necessarily unhappy to see them nationalized. Indeed, the management of the nationalized companies was generally turned over to boards of individuals drawn from the private sector. In the long term, therefore, the nationalization project came to be identified with inefficiency and economic mismanagement, and workers themselves became prime targets for state pressure to decrease wages in the face of inflation. The nationalization of industry was therefore not a step toward socialism. Rather, the prevailing nature of employment and the organization of industry remained essentially the same, but it was now under state ownership. It should come as no surprise, therefore, that some of the most significant labour disruptions in Britain during the postwar period occurred in nationalized industries such as coal.

The limits of this consensus became increasingly evident as the postwar period unfolded. By the 1960s and 1970s, the persistent weakness of British industry was evident to all. The economy was plunged into repeated crises manifested by balance-of-payments problems and sterling crises. Reliance on borrowing, particularly from the International Monetary Fund (IMF), created additional pressures on Labour governments. In the end, even modest attempts at regulation were quickly abandoned in

favour of what was seen as a tried-and-true measure: securing wage restraint from the trade unions in exchange for some degree of concessions on policy. (On the relationship between the Labour Party and British incomes policy, see Panitch 1976.) This was the original labourism of the party made manifest. The contradictions of the postwar consensus — in which state spending on infrastructure and an expanded welfare state to fuel growth was combined with wage restraint as a hedge against inflation — have been well documented (see, for example, Ross and Jenson 1986; Panitch 1986a). In the end, it was unsustainable, and by the 1970s, it was clear that the postwar consensus was no longer manageable. It had consistently failed to provide solutions to the deeper problems of the British economy. Despite this, however, the Labour Party found itself unable to offer any alternative. Indeed, the legacy of labourism and parliamentarianism that had so dominated its approach to managing the consensus left it both unwilling and unable to address the more fundamental issue of the nature of class relations in the United Kingdom. The Conservatives under Thatcher were poised to take their place as the governing party of Britain. Thatcher, however, was definitely prepared to wage an all-out assault on the conventions of both the British economy and British class relations. In doing so, she fundamentally redrew the space within which consensus politics could be played out.

The Labour Party was unable to offer an acceptable alternative to Thatcherism. Colin Leys argued in 1983 that with the collapse of the postwar consensus, the centre of British politics had proven uninhabitable for both the Conservative and Labour parties. It was the Conservatives, however, who were prepared to move drastically to the right and adopt a radical neoliberal ideological approach to governing. Labour, on the other hand, was slow out of the gate and chose to continue to inhabit the centre ground, hoping that the unpopularity of Thatcher's attack on the institutions of the postwar consensus would be her undoing. Indeed, that might have been the case had Thatcher not been able to ride to victory in 1983 on the back of the Falklands

War and a host of other ideological appeals around race, ethnicity, nationalism, and a discourse of family values and individual responsibility that resonated for both the middle class and many workers. In the end, Labour was consigned to eighteen years in the political wilderness.

There are, of course, many reasons why Labour was so fundamentally ill-prepared to meet the challenge of Thatcherism. To do so, the party would have had to articulate a socialist vision to respond to Thatcher's neoliberalism. As a number of commentators have argued, there were structural reasons why the party was unable to do so (see, for example, Miliband 1973; Minken and Sneyd 1977). Leys (1983, 190–91) summarizes these as follows:

a. The leadership of the party had increasingly become disconnected from and unrepresentative of the working-class roots of the party, largely owing to its parliamentary focus.

b. Parliamentarianism had become so entrenched in the attitudes of the party leadership and the party membership that it had become accepted as an end in itself. Fundamentally the party had grown to believe that it was a natural governing party for the country and as such no longer needed to think about representing its base in the same way. The overarching goal was to win elections.

c. The party had come to accept capitalism as a given, and electoral considerations foreclosed any thought of challenging it for fear that this would lead to disaster at the polls.

d. Holding office over a period of time has a deradicalizing effect. It had led to an acceptance of the status quo and the safeguarding of vested interests. This included those interests to which one should be either hostile or whose intentions should be viewed with skepticism.

e. The trade union leadership, which is probably the most significant extra-parliamentary source of influence over the labour leadership, tended to emphasize short-term interests

> of their membership. Challenging capitalism in any fundamental way risks destabilizing industry and endangering those interests. Although the membership of unions may be far more militant and radical than union leaders, even the left-most wing of the trade union leaders tended to concur with the leadership of the Labour Party in terms of its desire to support capitalism rather than confront it.

As can be seen, these limits on the Labour Party as a socialist vehicle highlight the significance of labourism and parliamentarianism. The first four points clearly relate to the limits of parliamentarianism and the subordination of party objectives to the goal of winning office. According to Ralph Miliband, this strategy confuses winning the government with winning the state. In his classic work *The State in Capitalist Society* (1969) he clearly demonstrates the erroneous nature of this strategy. In the absence of a strategy and an analysis that go beyond the limits of parliamentarianism, the party was unable to pose either solutions or alternatives to the problems of the British economy. The party was therefore at the mercy of both British industry and international financial institutions such as the IMF.

The last constraint in the above list reflects the problems of labourism. The Labour Party's special relationship with the broader trade union movement could have been a source of great strength, but the unwillingness of the party leadership to engage in extra-parliamentary activity meant that the party did not take advantage of the increasing militancy of British workers, nor did it seek to organize or mobilize them. Similarly, throughout the 1960s and 1970s, it did not look to the growing radicalism of progressive social movements as a source of inspiration. While all of these groups, which broadly became identified as the New Left, were to be found within the Labour Party, their voices were generally marginalized and viewed with some disdain by the party leadership.

The Labour Party's limitations were made manifest during the Thatcher years. Thatcher was prepared to abandon the centre

ground of British politics. This meant radically redrawing the contours of the state through privatization, the creation of special operating agencies, the introduction of market principles into education and health care, and a systematic assault on trade unions and their freedoms. State spending was, in theory, restricted, although in many respects it was simply shifted to other priorities. Certainly, however, budget deficits and taxation were cast as twin evils undermining productivity and economic growth. Monetarism replaced demand-management strategies, and economic policy was reduced to managing inflation and creating the conditions for supply-side economics to operate through low taxes and low budget deficits.

In this context, Labour might have moved to pose a left-wing alternative. Indeed, prior to Thatcher's 1979 victory, efforts had been made to do precisely this. The Labour governments of Harold Wilson (1974–76) and James Callaghan (1976–79) came to power confronted by one of the most severe economic crises Britain had faced in some time. Staggeringly high rates of inflation (26.9 percent in 1975), combined with high unemployment, the ongoing effects of repeated sterling crises in 1975 and 1976, an ongoing balance-of-trade deficit, and persistent underinvestment in British industry had combined to make traditional Keynesian solutions to the economic problem unsustainable. Wage restraint on the part of workers, combined with the deflation of the pound, simply could no longer stimulate growth on the magnitude that was needed to offset the crisis.

The government's reaction to the depth of the crisis was eventually to abandon any pretence of a Keynesian solution and adopt a monetarist approach, in which cuts to public services and fiscal discipline to restrain inflation were predominant concerns (Panitch and Leys 1997, 128). In June 1976, the government sought a £5 billion loan from the European central banks, the Bank of International Settlements, and the US Treasury and Federal Reserve. This was followed by a £4 billion conditional loan from the IMF. The effect of these bailouts was to discipline the government and force it to unconditionally accept monetarism as its guiding

economic policy. Massive cuts to public expenditures were to follow (£1 billion in cuts to expenditures and a £1 billion increase in employees' National Insurance contributions), as well as a drastic reduction of the money supply through interests rates as high as 15 percent. As Panitch and Leys (1997, 128) astutely observe, in government, "Labour's parliamentary elite were left with no Keynesian clothes to cover their political ideological nakedness."

Within this context, Tony Benn, as Industry minister, had been advocating an Alternative Economic Strategy. (For a full discussion of Bennism and its significance, see Panitch 1988.) Despite his persistent advocacy for the strategy, however, he was unable to gain any traction with the party's leadership. The essence of the strategy was for the government to fully explain the reasons for the economic crisis, including the failure of British capitalism to invest in the country and the effects of the worldwide economic downturn. In other words, the strategy was to reverse the tendency to blame the problem on excessive government spending and wage settlements that were too high. In addition, the strategy would have seen import restrictions and the imposition of controls on capital outflows, as well as controls placed on banks and other financial institutions. Of course, such a strategy would have required a rethinking of Britain's participation in the European Common Market and would have resulted in a direct confrontation with the finance capitalists of the City. Nevertheless, although it was the only proposal for a different course within the government, it was essentially stillborn. The government had no stomach for taking on these battles, and indeed, once the IMF loans had been secured, it also had no capacity to do so.

The failure of the Alternative Economic Strategy to gain acceptance must also be understood within the context of the New Left's campaign to reform the party and make it more democratic. In 1973, the Campaign for Labour Party Democracy (CLPD) was established by a group of rank-and-file activists. The motivating factor was the record of Labour governments throughout the 1960s and their tendency to simply ignore conference resolutions

and party policy as established by the annual conference. The precipitating event, however, was Harold Wilson's outright rejection in 1973 of the Labour Conference's call for the nationalization of twenty-five of the largest manufacturing companies in Britain (Panitch 1988, 351). This highlighted one of the constraints on the Labour Party: even though the party membership had throughout the 1970s become increasingly radical, the parliamentary leadership did not feel itself bound by policies adopted by the Labour Conference. The starkness of Wilson's rejection of the conference resolution on nationalization was seen as a blatant assertion of the dominance of the parliamentary leadership over the party.

The CLPD campaigned for democratizing the party, with the explicit intention of making the parliamentary leadership accountable and answerable to the party membership (Panitch and Leys 1997, 135–38). Underpinning this was a commitment to the New Left values espoused by Tony Benn and expressed in documents like the Alternative Economic Strategy. Despite this, however, the CLPD explicitly rejected campaigning on any specific substantive policy, rather confining itself to constitutional issues within the party. To this extent, it did have some important successes, including the establishment of mandatory reselection of sitting MPs. The theory, of course, was that this requirement would put MPs under increased pressure to carry out conference policies. The difficulty was that in the absence of a political mobilization of constituency members, there was no reason to think that local constituency parties would be any more likely to choose left-wing over right-wing candidates. Indeed, members of the party's right wing seemed to have little difficulty meeting the requirements of reselection. After all, they had passed the test of electability.

The difficulty of the CLPD position was that it reflected a certain constitutionalism that was perfectly consistent with the party's roots in a parliamentary orientation (Panitch and Leys 1997, 158; for a discussion of the constitutional debates during this period, see Rustin 1981). Proponents of the position felt that

if only the party would adopt the correct program, mass support would be forthcoming. They did not fully understand that insufficient attention had been paid to building the groundwork for such support, both inside and outside the party. Rather, the CLPD underestimated the difficulty of "generating broad support for socialist policies, as opposed to getting people to vote for a Labour government" (158).

Despite this, the CLPD did push ahead with other reforms, including the reform of the mechanism for choosing the party leader. In 1981 the system of Labour MPs choosing the party leader (an obvious example of parliamentarianism) was replaced with a system of electoral colleges. Three electoral colleges were established representing trade unions, MPs, and constituency parties. Each would vote for the leader in a reasonably complex electoral system. Later, the CLPD would press for reforms to give Labour women and visible minorities greater representation. This was particularly evident in the reforms that would require significant representation for women on party shortlists.

Generally, the democratic reforms advocated by the CLPD were fairly minimal in their overarching scope. Nevertheless, achieving them demanded considerable time, resources, and strategic manoeuvring within the party (Panitch and Leys 1997, chap. 7). They also prompted considerable reaction and a counter-assault by the party's right wing (145–52). While CLPD did not campaign specifically on substantive issues, the campaign to democratize the party was generally identified as a left-wing initiative. Consequently, at the same time that Benn and others on the left were increasingly being criticized for being impractical and unrealistic, the intra-party constitutional debate took on a definite left-right complexion. It is beyond the scope of this chapter to trace the details of those struggles, but to the extent that the election manifesto of 1979 was seen as having reflected too much of a left-wing influence, the defeat at the hands of Thatcher clinched victory for those who would assert the need for electoral viability and "practicality" above all else.

Indeed, after the 1979 general election, a full-scale assault

on the left of the party began. Initially led by Michael Foot and Dennis Healey and supported by the Trade Unions for Labour Victory, the challenge of establishing party unity at the cost of party democracy fell to Neil Kinnock after Thatcher's second victory in 1983. New Left members of party committees, and particularly the National Executive, were removed and the right wing of both the party and the trade unions came to dominate the party's operation. Radicals such as the Militant Tendency were expelled from the party as the executive moved to establish a register of non-affiliated organizations as a vehicle for weeding out groups with explicitly Marxist or socialist credentials (Leys 1996, 9–14). At the same time, Kinnock, relying increasingly on electoral strategists and professional marketing and advertising specialists, moved to professionalize the party and to centralize and control communications through the establishment of a Campaigns and Communications Directorate headed by Peter Mandelson. (For a discussion of this professionalization, see Leys 1996; Webb 1992.) The policy capacity of the party conference was increasingly subverted as the parliamentary party developed its own capacity to appeal directly to the public and to plan and implement policy directions.

These tendencies were informed by the firm belief that electoral victory could only be reclaimed by adopting practical and reasonable centrist policies and that this could only be achieved by containing the left wing of the party and purging its most radical elements. To be sure, huge external pressures on the party were pushing it in precisely this direction. The press in Britain routinely savaged the ideas of the New Left, congratulating Kinnock and his party for their attacks on both the left and trade union activism and mocking Tony Benn (Panitch 1988, 349; Panitch and Leys 1997, 131). The experience of Tony Benn, more than anything else, had shown that any attempt to move the party to the left would be met with ridicule and an assault by the right-wing press.

Additionally, the Labour Party was feeling threatened by the defection from its ranks of a number of MPs to form the Social

Democratic Party (SDP), created in 1981 by Roy Jenkins, David Owens, Bill Rodgers, and Shirley Williams. They had all been leading moderates within the Labour Party and part of the Manifesto Group, which had opposed what they perceived to be a leftward shift in Labour policy, including the prominence of Tony Benn and the New Left and the involvement of trade unions in choosing the party leader. (On the ideological basis of the SDP, see Leys 1983, 98–99; Bochel and Denver 1984.) They had also opposed the creation of the electoral college, which effectively took control of the leadership away from the parliamentary party. Eventually, twenty-eight Labour MPs defected to the SDP. In the 1983 general election, the SDP formed an alliance with the Liberal Party and won more than 25 percent of the popular vote, only slightly behind Labour, which won 28 percent. The Conservatives, soaring on the back of the Falklands War, secured a second majority with 44 percent of the vote. For Labour, the defection of prominent MPs from the right wing of the party represented both a shock and a threat. Party disunity and internal ideological divisions had led to what was seen as a challenge to the very future of the party. Only the vagaries of the first-past-the-post electoral system had prevented an even greater electoral disaster: this certainly meant that any consideration of electoral reform was off the table. For Kinnock, in particular, continued discussion of New Left ideas would simply enhance the stock of the SDP at Labour's expense. As Panitch (1988, 357) observed, Kinnock's attack on the left of the party represented an assertion that the task of "winning the next electioin had to stand as an 'unavoidable and total precondition' over any other condition."

FINDING A NEW CONSENSUS: MODERNIZATION AND THE POLITICS OF NEW LABOUR

By the 1980s, then, the consensus under which the Labour Party and Labour governments had operated throughout the postwar period was in tatters. Keynesianism no longer worked. Labour governments under Wilson and Callaghan had virtually

abandoned any pretence of maintaining the traditional Labour goal of full employment. The New Left within the party did seek to push a more radical left agenda in the face of the crisis, but in the absence of the party having established deeper connections to the broader movements of civil society, this attempt to reshape the party from within could not overcome its parliamentary impulses. This is not to say that there was not a mass of radical political movements on which the party might have relied for such a purpose. Thatcherism gave rise to tremendous political unrest and considerable mobilizing and organizing by her opponents. The Greater London Council under Ken Livingston and the Militant Tendency's success in local elections in Liverpool illustrate that the party was perhaps a bit quick to dismiss and reject more radical approaches. Ultimately, discontent with Thatcher would culminate in the Anti-Poll Tax Federation, whose mobilization efforts saw 200,000 people gather at Trafalgar Square on 31 March 1990 to demonstrate against the tax. Nevertheless, without a national voice to structure this dissent into a coherent radical program, such indications of discontent were mere annoyances to Thatcher, who was quite prepared to use the power of the state in an authoritarian fashion to deal with them, as was witnessed in the police response to poll-tax demonstrators and the elimination of the Greater London Council.

The party, then, was in search of a new consensus within which the twin objectives of labourism and parliamentarianism could be practiced. A more radical left-wing alternative had been rejected. It fell upon Tony Blair and New Labour, under the watchword of modernization, to establish a right-wing consensus that was, if anything, more narrowly electoral than ever before. Blair came to the leadership of the party in 1994 after the untimely death of John Smith and quickly moved to consolidate the control and dominance of the parliamentary leadership over the broader party.

With Blair at the helm, the party was rebranded as New Labour. Policy development was quickly consolidated in the hands of the leader's office, and the role of the National Executive and

Conference were diminished. Blair also moved to decrease the significance of the unions' block votes, tightened control over communication, eliminated Clause IV of the party constitution (which Harold Wilson had once called the bible of the party), and generally cracked down on dissent and any semblance of a left-wing agenda. (On the centralization of control by Blair, see Panitch and Leys 1997, 236–39). By now, the press had come to accept that the leader of the party was the source of authoritative policy and that the decisions of the conference no longer had the significance that they once did. In terms of policy, the party moved clearly to the right. Monetarism was accepted wholeheartedly and all policy decisions were subordinated to the overarching goal of winning the next election. Intellectually, the "new consensus" articulated by New Labour was encapsulated within the concept of the "Third Way" (Giddens 1998). For the leadership of the party, this meant rejecting the dichotomies of left and right and embracing a middle road of supporting capitalism while expanding opportunities for social justice.

In effect, this meant accepting many of the reforms of the Thatcher period. The extent of this became evident when Blair won the 1997 general election and formed the first Labour government in eighteen years. He was able to continue consolidating power in the hands of the Prime Minister's Office, centralizing control of communications and ensuring that all ministerial statements were "on message." Economic policy was clearly monetarist, with Gordon Brown as chancellor committing the government to a fight against inflation over and above anything else (Wood 2010). The government quickly decided that it would adhere to the spending targets of the Conservatives, would not run budget deficits, would not increase taxes (the image of the party as willing to impose new taxation was considered a primary electoral obstacle to be overcome), and would continue to cut state spending. This agenda included a continuation of the process of marketization and privatization, which was particularly apparent in the areas of health care, communications, and utilities (Leys 2001; Wood 2010). The Bank of England was given

exclusive control over interest rates, thereby limiting the ability of the state to engage in economic planning.

In terms of more specific policies, Blair's New Labour government essentially maintained the restructured and highly restrictive labour relations regime that had been introduced under Thatcher. Indeed, during the 1997 election campaign, Blair boasted that Labour's proposed changes to the labour relations system would "leave British law the most restrictive on trade unions in the Western world" (quoted in Panitch and Leys 1997, 254; on the relationship between Labour and trade unions more generally, see Howell 2000, 2001). While certainly some concessions to the trade unions were made after the 1997 election victory, the election promises were significantly watered down once the party came into office. Most importantly, support for the right to strike for public sector workers was withdrawn, the commitment to require the reinstatement of workers dismissed during a strike was reduced to the right to have their case heard by a tribunal, and the commitment to a minimum wage was diluted — the specific amount of any minimum wage would be set only after referral to a commission that would include business representation.

The refusal to be categorical on the question of a minimum wage foreshadowed developments on the broader social welfare state. Here, income security benefits were recast through the development of workfare requirements as a tool for developing global competitiveness (Sheldrick 2000; Marqusee 1997). Unemployment was recast from a structural economic problem into a problem of the individual's "will to work." Welfare, the government announced, needed to involve active labour market policies to restore that willingness. Structural problems in the British economy, including the scarcity of well-paying full-time jobs and the shift to increasingly insecure part-time employment, were ignored. Similarly, the question of how welfare recipients would qualify for high-tech jobs in the knowledge economy without significant investment in retraining and education was left unanswered. The failure to deliver on a minimum wage because of

opposition from business groups became all the more ironic as the government began subsidizing low-wage businesses through its new workfare programs (Sheldrick 2000). The major beneficiaries of these programs were low-wage employers, particularly in the hotel and restaurant sectors, who took advantage of the schemes to rotate employees in and out while using government programs to subsidize their wage bill.

Despite these disappointments, there was a sense that the Labour Party was refashioning Britain. Spending on infrastructure, particularly schools and hospitals, did increase, and public sector spending was restored in some areas although it was often focused, as in the case of income support, in ways that enhanced an ongoing neoliberal agenda. Constitutional reform — particularly Scottish and Welsh devolution, the ending of life peers, and the incorporation of the European Convention on Human Rights into domestic law — gave the appearance of reforming the crusty institutions of British politics.

Overall, though, the Labour Party had been recast as a fairly traditional brokerage political party (Bradford 2002; Sheldrick 2002). Its main focus was on securing electoral success, and its policies and ideas were dictated by perceptions of voter appeal. The Labour Party had long ago stopped trying to fashion public opinion by forming a movement of supporters. New Labour acknowledged and applauded this shift. The process of modernization ensured that the party apparatus was brought into line with what the parliamentary party had, for some time, seen as the only way forward. In this alignment, however, those elements that defined it as a "labour" party became increasingly diminished. As Naomi Klein, writing in the *Toronto Star*, said, "Clearly, Labour is about 'labor' the way . . . Listermint mouthwash is about 'letting your voice be heard.' Blair's is not a labor party, but a labor-brand party, a sort of labor-scented party, with the appearance of egalitarian principles little more than a brand asset" (quoted in Panitch and Leys 1997, 329n49).

Of course, one of the consequences of being a brokerage party is that voter support cannot be taken for granted. That support is

not based on deep connections with a party and therefore shifts easily in response to specific issues of the day. Labour discovered this as Blair became more deeply identified with George Bush's war in Iraq and with the scandal of weapons of mass destruction that had never existed. By the time Blair left the leadership of the party, the fortunes of Labour were in decline. Gordon Brown inherited a project that was already in trouble, but domestic scandals around MP expense accounts, combined with the complete failure of the government to either foresee or deal with the economic collapse of 2007, sealed the government's fate.

Indeed, the economic crisis demonstrated the emptiness of the consensus in which Labour had been operating and the limits of monetarism and neoliberalism to deal with the global economy. The government quickly retreated into spending as way out of the immediate crisis, but neoliberalism had by this point become so accepted as the mantle of truth for all parties that after the defeat of Brown's government, the major pressing question in the election of 2010 was how quickly the growing deficit could be eliminated and how deep the cuts would have to be to achieve that objective. In 2010, the budget deficit reached over £170 billion, outstripping EU rules requiring budget deficits to remain under 3 percent of GDP. The UK's budget deficit had reached nearly 12 percent of GDP, and Alistair Darling, Gordon Brown's chancellor, had planned in his final budget to reduce the deficit to 4.7 percent of GDP by 2015. This rate of decrease was less than the targets established by EU finance ministers in 2009. The Conservatives argued that budget cuts should be deeper and the pace of deficit reduction faster in order to safeguard the economic recovery.

The 2010 election resulted in a hung Parliament, with the Conservatives taking power in a coalition alliance with the Liberal Democrats. The new coalition government immediately announced deep cuts in government spending, with ministers asked to draw up plans for up to 40 percent cuts in departmental budgets. Following Labour's defeat, Brown resigned his leadership and the Labour Party was plunged into a search for a new

leader. The leadership contest itself demonstrated the degree to which the modernization project of Blair and Brown had succeeded in turning the party into a thoroughly parliamentary and electorally driven party. The party contest was considered by many to be a riveting family drama, with brothers Ed and David Miliband competing against each other for the leadership. (The irony of Ralph Miliband's sons competing to lead the party that had so abandoned socialism could not go unnoticed.) David Miliband was widely expected to win the race, primarily upon what was seen as his electability, but he was also seen as more closely tied to the New Labour project of Tony Blair, having risen through the ranks quickly during the Blair years. Ed Miliband, on the other hand, had only entered politics after Blair's departure and was seen as more closely allied with the Gordon Brown camp, although not tainted by it.

Although the campaign between the brothers was fairly civil, toward the end a greater degree of animosity between the Miliband camps became evident. Ed, who was pejoratively referred to as "Forrest Gump" by his brother's team, managed to eke out an extremely narrow victory at the party conference in September 2010, winning 50.65 percent of the total vote compared to his brother's 49.35 percent. Ed Miliband had generally campaigned on the basis of a more left-leaning platform. He had called for an end to New Labour and generally argued against what he saw as a drift to a "brutish US-style capitalism." He had successfully positioned himself to the left of his brother, distancing himself from the Blair-Brown years and calling for a return to core Labour Party values.

The leadership result, however, has potentially left the party deeply divided. As noted above, Ed Miliband won by the narrowest of margins. More importantly, however, he failed to win all of the electoral colleges. Among MPs and MEPs, David Miliband won 53.4 percent of the vote, while Ed captured only 46.5 percent. Among individual party members, David Miliband's lead was slightly greater: he won 54.3 percent compared to Ed's 45.6 percent. Unlike the close results in both of these electoral

colleges, however, in the Union and Affiliates electoral college, Ed Miliband's call for a return to the Labour Party's roots resonated more profoundly. Here, Ed won 59.7 percent of the vote while his brother captured only 40.2 percent. This tipped the balance in Ed Miliband's favour. For a moment, it appeared that labourism had trumped parliamentarianism.

There are in David Miliband's leadership campaign a couple of points worth noting. First, David had called for the party to re-engage with the process of organizing communities. He pledged to train a thousand Labour Party members as community organizers through his "movement for change campaign." The campaign was modelled after Barak Obama's approach to organizing and in some ways is reminiscent of how Tony Blair also looked to the American Democratic party for inspiration. Despite this, David's vision overall had a distinctly electoral focus. In one campaign document, he argued that the party was defeated in 2010 because its vote had collapsed across social classes. He elaborated an understanding of class based on census demographics:

> Labour lost over a million votes in each of the C1, C2 and DE social class groups between 1997 and 2010 — and we need to fight equally hard to win them back.
>
> We also lost about half million votes at the top of society. The 1.6 million low income voters who deserted labour in social classes D and E since the 1997 high water mark are a clear target.
>
> But so must the 2.8 million skilled and middle class voters (so called C1s and C2s) who have left us. . . .
>
> Those on lower incomes, the C2 and DE's, make up about 44% of the voting population. You just can't craft an election majority out of a minority.
>
> It is dangerous to pretend that we don't need the middle classes — just as it would be to suggest Labour does not need to win back the hope and trust of working class voters. (Miliband 2010b)

One can hardly imagine a less inspiring way to describe the task of rebuilding the class basis of a party. In an article in *The New Statesman*, David Miliband (2010a) wrote that the party had ignored the interests of middle England and needed to win back support in England by rediscovering the symbols and icons of English nationalism.

This analytical approach to class as a demographic and electoral category represents a continuing problem with the Labour Party's approach to the concept of class. The impact of parliamentarianism has led to an understanding of class as a sociological and demographic characteristic of people rather than as a social relationship. The party, therefore, accepts individuals as they are and sees polling and market research as the tools to determine what different demographic classes want. The party's job, in a traditional brokerage model, is to put out a product that will have appeal. People are accepted as a given in terms of their beliefs, preferences, and attitudes, and if those opinions and attitudes are to be shaped, it is only for the short-term goal of obtaining their vote. It is for this reason that one would appeal to England on the basis of nationalist icons and symbols. There is no understanding of the need for a socialist party to reshape class attitudes and opinions. The job of the party, in this conception, is not to educate, radicalize, or mobilize.

The implications of this approach were evident in the wake of Ed Miliband's victory. The Tory press immediately seized on his reliance on the trade union vote to secure his victory. Labour Party supporters and media commentators quickly argued that he needed to distance himself from his image as "Red Ed," while the Conservatives just as quickly tried to make sure that the moniker stuck. Alan Johnson (2010), former home secretary and supporter of David Miliband, published a letter to the new leader in *The Independent*, in which he urged Ed Miliband not to take the party back to its "comfort zone" on the left in order to enjoy the "ideological purity of opposition." Johnson also advised Miliband not to "adopt a 'core vote strategy' for winning the election. We do need to restore trust with our traditional supporters, but

we also need to win back the middle-class voters who switched to the Lib Dems." He noted that because Labour was almost "wiped out" in the southeast outside of London, the party needed to focus on "appealing to people who voted Conservative in 2010 and 2005." He urged Miliband not to move the party to the left: "We know elections are won on the centre ground of politics. We learned that the hard way in the Eighties. . . . Recognize also that the Tories, not the Lib Dems, are the target. This is a Tory government with the Lib Dems strapped on as ballast." In a similar vein, Alistair Darling, the outgoing shadow chancellor, warned the new leader not to backslide on the party's commitment to halve the budget deficit in four years and to have realistic and credible plans to cut government borrowing if voters were to take him seriously (Elliott 2010). The tone and message sounded all too familiar.

It quickly became evident that Ed Miliband would not move the party to the left. He was more than willing to take Alan Johnson's advice, immediately pronouncing himself his own man and asserting that he would not be a leader for the unions. In his first full speech to the Labour Party Conference, he clearly tried to claim the centre ground in classic New Labour fashion, while at the same time declaring the end of New Labour (Freedland 2010). He distanced himself from the Iraq War, insisted on the need to regulate the City, and criticized the culture of New Labour, which he said had become a new form of "establishment." At the same time, however, the speech balanced right and left at every turn. Trade unions were lauded as critical in the fight against exploitation, but he also warned that he would have "no truck" with irresponsible strikes. The high salaries of bankers were criticized, but welfare claimants were told they had a responsibility to work if they could. The bankers would rest easier having learned that Miliband's plans to rein in salaries involved the establishment of a High Pay Commission, another classic New Labour strategy for dealing with such issues. In a BBC Radio interview, Miliband was asked directly if the socialist aims of his father could be achieved through the parliamentary

route. His answer was telling: "Yes, but it is not his form of socialism. . . . It is my form of socialism which is a more fair, more just, more equal society. And that is the path that I will want to take our party on" (quoted in Winnett and Hough 2010). Again, this is very similar to the rhetoric that dominated New Labour discourse. No longer termed the Third Way, the party's approach had simply been redefined as socialist without the adoption of a socialist analytical frame.

There were several tests for Ed Miliband in the days ahead, and these serve to illustrate the degree to which the party has stayed within its comfort zone of parliamentarianism. The first was the ongoing issue of the economy and the current coalition government's intentions to cut government spending. It appears that Miliband will not lead the party in a different direction than was established under Gordon Brown's leadership. Of all the leadership candidates, Ed Balls was the only one who was prepared to argue that the party should not accept Alistair Darling's deficit-reduction plans but should instead continue spending in order to offset the possibility of a slide back into recession. While not particularly radical, it was a nod to old-style Keynesianism in the face of economic crisis. Balls was the strongest candidate for Shadow Chancellor, especially after David Miliband decided to leave frontline politics following his defeat. Instead, Ed Miliband opted to appoint Alan Johnson, whose advice to the leader we have already seen. Johnson was widely viewed as lacking the economic expertise necessary to be Shadow Chancellor. Miliband's choice reflected a desire to shore up party unity, as Johnson had been a prominent supporter of his brother. Appointing Johnson, however, was also a clear indication that there would be no move — or at most, a very limited move — to the left.

Alan Johnson was not to enjoy a long tenure as Shadow Chancellor. Dogged by the persistent view that his economic credentials were inadequate to allow him to be an effective voice on the economy, combined with an unfortunate personal scandal, he resigned in January 2011. Miliband then appointed Ed Balls

to the position, and many expected a more aggressive approach from the new Shadow Chancellor in opposing coalition economic policy and cutbacks (Toynbee 2011a). Generally, those hopes have not been realized. The Labour opposition continued to be relatively meek, preoccupied with living down its own legacy in power rather than with developing an alternative vision for the country. At the 2011 Labour Party convention Balls set out a weak five-point plan for economic recovery, the centrepiece of which was a reduction in the rate of VAT and a national insurance tax holiday for small businesses. Tellingly, Balls insisted that he could not promise to reverse all of the Tory spending cuts and, in a marked departure from his leadership campaign, insisted that the party must remain tough on the issue of the deficit to regain economic credibility (Wintour 2011).

If there was a highlight at the 2011 Labour Conference, it was Ed Miliband's speech. If there was to be any indication that Miliband was prepared to lead the party in a more radical direction, it would come at the first conference since his election as leader. In a speech characterized as the "most radical delivered by a labour leader in a generation," he certainly took a harder, more critical rhetorical line, particularly on the economy (Milne 2011). He promised to rip up decades of irresponsible "fast buck" capitalism and declared that he was a person willing to "break consensus rather than succumb to it." He promised to recast a new capitalism built around British values that would reward hard work and producers rather than "asset-stripping predators." But the speech took a moral tone, calling for business to operate in a fashion consistent with British values and ideals, rather than offering any sort of critique of capitalism as such. Predictably, Miliband's speech, while well received by the party, came under intense scrutiny and criticism from business leaders. He was criticized for adopting an anti-business stance, and his speech was called divisive and "kick in the teeth for business" (Armitstead and Ebrahimi 2011).

In response, Miliband quickly tried to reassure the City that he was not anti-business. In interviews the next day, he insisted

that "Labour would not lurch to the left" and that it would be "firmly in the middle ground." He also insisted that it was not a left-wing idea that those at the top of the society should behave responsibly. His reference to predators was recast as a preference for good business practices rather than bad ones, thus reasserting the moral tone of the speech (BBC News 2011). This theme of individual responsibility has become the touchstone of Miliband's approach. He used the same rhetoric, a failure of individual responsibility, to explain and contextualize the London riots of 2011.

The central problem facing Labour, reflected in their inability to develop an alternative discourse on the economy, is the party's continued failure to find a role for itself in what is taking place outside of Parliament. As elsewhere in the world, the economic problems facing Britain have produced a series of protest movements and have exploded into the realm of public consciousness. The Occupy Wall Street movement has spread throughout the world, and Occupy London has certainly posed a challenge for Labour. This could have been an opportunity for Labour to participate and lead a movement of people seeking to establish an alternative discourse around class, inequality, and the implications of capitalism for social justice and fairness. Certainly one would hope that any social democratic party would have something to contribute to such a movement. Clearly, however, Ed Miliband has no such plans for the British Labour Party. In late October, during the height of the Occupy London demonstrations, Miliband was joined by Shadow Chancellor Ed Balls and former London mayor Ken Livingstone for a meeting with business leaders and unemployed youth in Camden. Miliband told the young people looking for work that they should "keep hope and determination" but insisted that he did not agree with the premise of the Occupy London demonstrations, stating, "I am not in favour of that — I'm in favour of democracy, showing that democracy can work and that it can change things" (quoted in Osley 2011).

Ken Livingstone, seeking to reclaim the position the mayor from the right-wing Boris Johnson, echoed these sentiments,

clearly articulating the dilemma facing Labour and its inclination to stay within a narrow parliamentary perspective. “I wouldn’t occupy the streets,” he said. “It’s not something I would do. . . . I’ve been frustrated by government policies all my life but it’s more important to get changes in the government.” He added that the way to achieve this goal was to get involved and join the Labour Party: “You could occupy the London Stock Exchange for the next four years but if you don’t get a Labour government nothing is going to change.” Livingstone also warned the unemployed young people: “What you must never do is start watching daytime TV. You can’t have two years of no work or no training. You must keep on at it until the tide turns” (quoted in Osley 2011).

The message from Labour, then, is to join the party, accept the system, operate within it, and wait for the economy to improve. Ironically, Ken Livingstone’s advice to young unemployed had much in common with the recommendations of Jonathan Isaby, the political director of the right-wing Taxpayers’ Alliance, who, in a debate with *The Guardian*’s Polly Toynbee on Sky News, recommended that it would be more useful for young people to get a job than to protest (Toynbee 2011b).

This attitude — that the important politics around the global financial crisis takes place within the corridors of Westminster and Whitehall — demonstrates that the Labour Party leadership does not view its relationship to social movements, and to civil society more broadly, in anything other than an electoral context. The current protests and demonstrations, which cross so many social dimensions, provide an opportunity for Labour to lead, not as a party in the House of Commons but as a party embedded in its constituency, one that seeks to achieve social change rather than just a change in government. However, it is increasingly clear that this is not an agenda that the Labour Party is prepared to take on.

This failure is also reflected in the Labour party’s approach to the question of electoral reform. The Liberal Democrats made electoral reform a condition for joining the Conservatives in a

coalition government. As a result, a referendum on whether Britain should adopt an Alternative Vote (AV) system was held on 5 May 2011. While Miliband personally supported the referendum, the Labour Party itself took no official position. The party was consequently divided on the issue. Many in the party saw electoral reform as little more than a way for Nick Clegg and the Liberal Democrats to stay in government and were determined to oppose the referendum to punish the Liberal Democrats. In the end, the referendum was defeated, with 67.9 percent of voters opting to retain the first-past-the-post system, and only 32.1 supporting reform.

The electoral reform question highlights the fact that since the Second World War, voting turnout in virtually all advanced industrial countries has been declining. This is certainly true in the UK, where turnout has dropped considerably over the past decade. Although the Labour Party formed the government for thirteen years under Blair and Brown, voting records clearly demonstrate the very narrow margins upon which those victories depended (Watkins 2004). The narrow electoral approach, given this context, tends to increasingly focus on winning a few swing ridings and appealing to ever-narrower ranges of the voting public. It ignores those who don't vote — that is, those who are precisely the vulnerable individuals that a Labour Party should seek to protect and represent. As many on the left who supported the referendum observed, electoral reform raised the possibility of forging a new alliance of progressive forces on the left, and it would also require parties to work harder for their votes. In effect, this would mean having to spend more time cultivating relationships between parties and civil society and nurturing a left political community. Electoral reform has the potential to create new spaces for the articulation of left politics, and this, in turn, might require the Labour Party to move away somewhat from its narrow parliamentarianism to articulate (or at the very least debate) an ideological stance (Kettle 2011; Lawson 2011; Compass 2010).

CONCLUSION

The victory of Ed Miliband seems unlikely to shift the party to the left or to steer it in a fundamentally new direction. In short, too much water has passed under the bridge of New Labour. As Colin Leys argues in his an analysis of the party's failure to seriously oppose coalition plans for the restructuring of the National Health Service, Labour suffers from a pathology to conform. The party fears being dubbed "unrealistic, out of touch, radical, ideological, leftist, or Old Labour" (Leys 2011). In many ways, this is the legacy of the modernization of Labour. There is now, he observes, a "prevaling unwillingness to challenge the dominant discourse and the forces that underpin it. . . . So many professional leaders and managers, and many ordinary rank and file too, seem more afraid of being seen as out of step with the establishment than as having failed to stand up for what they believe in or what their constituents want." There is, he concludes, a "profound lack of confidence and independence."

Leo Panitch recently argued that if the Left in Britain is to have a voice, it will need to split from the Labour Party and establish a new, independent left-wing party (Panitch 2010). In many respects, this logic is irrefutable. At the moment, with a hung Parliament, the party system in Britain is under considerable strain. The old two-party system is in a state of crisis, leaving room for a fourth party to establish a foothold and even potentially influence electoral results. Without electoral reform, however, it is difficult to imagine how a new left-wing party would even begin to register on the map of British politics. Of course, its prime task would be to start the process of establishing a progressive alliance within civil society rather than winning seats in the House of Commons. Yet — and this is the fundamental contradiction of left-wing electoral politics — winning seats must at some point be an objective of any political party. In the absence of that possibility, the party remains on the margins of politics. Electoral reform offers the opportunity to compete electorally and gain representation for leftist ideas within the mainstream institutions of the state, while at the same time allowing for (and

even demanding) the mobilization of a broader constituency. It may, perhaps, be the greatest failure of Labour that, while dedicating itself almost exclusively to electoralism, it has chosen to ignore these possibilities.

SOCIAL DEMOCRATIC PARTIES AND UNIONS IN A GLOBALIZED WORLD

The Australian Experience

DENNIS WOODWARD

The relationship between social democratic parties and the union movement has been under stress in many liberal democratic states since the 1970s. The combination of globalization's free movement of "footloose" capital, the decline in the blue-collar workforce, and the ascendancy of neoliberalism have seriously challenged the programmatic raison d'être of social democratic parties. Their perceived need to abandon traditional policies promoting equality, full employment, and a comprehensive welfare state in favour of embracing the neoliberal program has threatened to undermine their core base of supporters. Indeed, most social democratic parties around the world initially suffered electorally in this climate, but, despite the rising dominance of neoliberalism, by the end of the twentieth century they were again achieving electoral success (Gamble and Wright 1999). This success was attained by their acceptance of key elements of the neoliberal agenda, an agenda that has shown little sign of diminishing even in the face of more recent global economic uncertainty.

This neoliberal policy agenda not only confronted social democratic parties with the prospect that social democracy was a "bankrupt project" that was no longer viable (Gray 1997, 13) but

also placed a major strain on their relationship with unions, with whom they have traditionally been aligned or have represented. As Piazza (2001, 418) notes, social democratic parties "opted to weaken, or in cases jettison, their traditionally strong relationship with organised labour." This led, according to Lavelle (2008, 12), to social democratic parties treating unions "as just another interest group." Thus, social democratic parties shifted to the right in the 1980s (Callaghan 2003, 129), abandoning their traditional policy stance and embracing neoliberalism — either explicitly or in the guise of a "Third Way." Ultimately, they distanced themselves from their core union base to regain electoral viability (Lavelle 2008, 167; Piazza 2001, 426).

The aim of this chapter is to trace this relationship between social democratic parties and unions in Australia, which has one of the oldest continuous social democratic parties in existence and arguably one of the most successful of its kind in electoral and political terms. To illustrate this relationship, I use as a case study the heavily contested battle over reform of the industrial relations system under the Rudd Labor government that was elected in 2007. I argue that the Australian Labor Party (ALP) both differs from and conforms to its counterparts in other advanced democracies in terms of its relationship with the unions. The ALP has maintained a delicate balance between the competing pressures of union and business interests. While retaining its union affiliation, the party has, like other social democratic parties, tended to treat unions as "just another interest group," thereby demonstrating the limits of social democracy in a globalized era.

THE ALP AND THE UNIONS: A CENTURY OF CHANGE

The ALP was established in the 1890s as the "political wing" of the emerging trade union movement, taking the form of a typical "mass-class" party as depicted by Duverger (1964, 63–70). Its organization was dominated by its affiliated trade unions,

but almost from the outset, there were strains between its parliamentary and extra-parliamentary wings, with the former seeking a degree of autonomy that was viewed with suspicion by the latter (McSwiney 2005, 46). Accusations that the parliamentary wing of the ALP had betrayed the labour movement, the working class, and socialism have a long pedigree. The actions of the Chifley ALP government at the national level in breaking the coal miners' strike in 1949 offer a particularly vivid example of conflict between the party's parliamentary wing and its nominal trade union base. Nevertheless, trade unions continued to dominate the party because they held the majority of delegates to State Conferences, at which state officials were selected, state policies formulated, and representatives chosen for Federal Conferences and the Federal Executive, which, respectively, determined official party policy and handled the party's day-to-day management at the national level. This trade union dominance continued until the organizational wing was restructured in the latter part of the 1960s. Even then, trade union dominance at State Conferences was maintained; however, the inclusion of federal and state parliamentary leaders in Federal Conferences opened the way for those leaders to control the policy agenda, which subsequently moved away from working-class appeal toward a more middle-class appeal typical of "catch-all" parties (Kirchheimer 1966). Relations between the Whitlam ALP government (1972–75) and the trade union movement were certainly strained by policies of cutting tariff protection and seeking wage-control powers in the wake of the stagflation that followed the first OPEC oil hike.

Following three successive electoral defeats at the national level, the ALP National (formerly Federal) Conference was again expanded in 1981 — effectively being doubled to a hundred delegates, with greater representation coming from branch members. This reflected the move to limit union delegates to State Conferences to 60 percent as the party sought to shed its image of being "union dominated." The National (formerly Federal) Executive was similarly expanded in 1986, with additional delegates elected

from the National Conference, further diluting state-based trade union influence.

When the ALP regained government at the national level in 1983, it — unlike other social democratic parties in this period — did not distance itself from its trade union affiliates but entered into an "accord" with them that was initially aimed at restoring centralized wage fixing, maintaining real wages, and boosting the "social wage" in return for industrial peace and wage restraint (Carney 1988; Singleton 1990; Stilwell 1986; Wilson, Bradford, and Fitzpatrick 2000; Schwartz 1988). Over time, this accord underwent a number of renegotiations and the ALP presided over labour market "reforms" that moved in the neoliberal direction, leading to accusations that it had betrayed "Labor tradition" (Maddox 1989). This resulted in working-class voters deserting the ALP and contributed to its defeat in 1996 (Manning 2010, 278). There is considerable debate over both the efficacy of the accord and whether it was ultimately beneficial or detrimental to workers and trade unions (Dabscheck 2000; Kenyon and Lewis 2000; Kuhn 1991; Beilharz 1994; Manning 1992). Clouding this issue is the fact that Bob Hawke, the ALP prime minister for much of the period (1983–91), had previously been the head of the peak trade union body and was a bridge between the parliamentary party and the unions. His successor as prime minister, Paul Keating, was less committed to Hawke's consensual style and (notwithstanding maintenance of the accord) alienated many members of the working class by presiding over a recession and pursuing a policy focus that they viewed to be not in their interests. He also presided over the 1994 National Conference, which saw a further expansion of the conference to 190 members (Lloyd 2000, 66).

During its eleven years in opposition (1996–2007), the ALP further distanced itself from its trade union supporters, maintaining its commitment to most neoliberal tenets and shaping policies in accordance with its belief that globalization had drastically limited its options (Lavelle 2005, 56). While the ALP maintained its trade union ties, unlike some European social

democratic parties (Manning 2000), the possibility of future accords with the trade union movement was ruled out and further changes to the party's organizational structure lessened the unions' influence. In 2002 the National Rules Conference introduced the "fifty/fifty rule" whereby delegates from affiliated unions had their representation at State Conferences limited to 50 percent, with the remaining places going to branch members. The 2004 National Conference approved policy changes that extended the time between conferences from two to three years and expanded conference membership to four hundred. The National Conference had effectively ceased to be a policy-making body: that privilege now lay firmly in the hands of the parliamentary leadership. This distancing of the ALP parliamentary wing from its erstwhile trade union base was driven by the belief that too close a relationship was electorally detrimental and, given declining trade union membership, of limited advantage. It is somewhat ironic, therefore, that a major reason for the ALP's return to office in 2007 (under its new leader, Kevin Rudd) was the result of a multi-level campaign conducted by the trade unions aimed at the defeat of the conservative Liberal–National Party coalition government and the overturning of its radical industrial relations legislation, which went under the rubric of WorkChoices (Muir 2008; Spies-Butcher and Wilson 2008; Bongiorno 2008; Bachelard 2007). The ALP's reaction to the introduction of WorkChoices while in opposition and its actions to dismantle it when it attained government sheds light on its relationship with the trade unions.

WORKCHOICES LEGISLATION

Historically, industrial relations in Australia have enjoyed a degree of bipartisanship based upon acceptance of an arbitration system capable of settling disputes and setting minimum wages. Despite attacks by neoliberal ideologues and some modifications carried out under the previous Labor government, this regulated labour market was still largely intact when the conservative

Liberal Party–National Party coalition government led by John Howard came to power in 1996. The Howard government's initial efforts to fundamentally alter this system led to substantial compromises, and a later attempt was abandoned because it lacked a Senate majority. However, once the government fortuitously found itself with Senate control (starting on 1 July 2005), it quickly passed its WorkChoices legislation in November to come into effect on 3 April 2006.

This legislation (Australia 2005) radically altered the balance of power in favour of employers at the expense of workers and trade unions. Traditional arbitration was effectively ended with the sidelining of the Australian Industrial Relations Commission (AIRC) and the establishment of a new body, the Fair Pay Commission, which was tasked to set minimum wages (Van Gramberg 2006). Tougher penalties were introduced for strikes deemed illegal, and the scope for legal strikes was severely restricted. Even if strikes were legal, they required the passing of a compulsory secret ballot by the union membership. Restrictions were also placed on union officials entering workplaces. In addition, existing awards continued in force for only ninety days after their expiration date during renegotiations, after which they would revert to the five minimum standards (explained below) if no agreement had been reached. Limitations were placed on what could be included in awards negotiated through enterprise bargaining and greater encouragement was given to replacing these with agreements negotiated between employers and individual employees. These Australian Workplace Agreements (AWAs) needed to meet only five minimum standards with respect to the minimum wage, which could be averaged over a year; a maximum of thirty-eight ordinary hours per week; four weeks paid annual leave, two weeks of which could be traded; ten days paid personal/carer's leave; and fifty-two weeks unpaid parental leave. Moreover, AWAs were no longer subject to the "no disadvantage" test that had previously been in force (Teicher, Lambert, and O'Rourke 2006). That is, the way was open for workers to accept lower wages and less favourable conditions.

The balance of power was further shifted in favour of employers by the effective removal of existing "unfair dismissal" laws. These no longer applied to workers in businesses that had up to one hundred employees and could be circumvented in larger firms if the dismissal was deemed necessary for (ill-defined) "operational reasons" (Pittard 2006). With the protection of unfair dismissal laws removed, vulnerable workers felt insecure and could potentially be confronted with the choice of accepting AWAs with worse conditions or face dismissal.

WorkChoices led to employers dismissing workers and then inviting them to reapply for their jobs at lower rates of pay and less favourable conditions; workers forced to trade penalty rates for miniscule increases in their hourly rate of pay; and AWAs that removed previously held award conditions such as annual leave loadings, shiftwork loadings, penalty rates, and entitlements to public holidays. In particular, vulnerable workers (casual and part-time) in retailing and hospitality on AWAs were significantly worse off than workers on collective agreements (Peetz 2007; Australian Bureau of Statistics 2007). Government figures revealed that as many as 45 percent of AWAs had removed all eleven "permissible" award conditions — that is, they only included the five minimum conditions protected by law — and that nearly a third might have illegally undercut even one of these five (Davis 2007).

FORWARD WITH FAIRNESS: THE ALP POLICY MANIFESTO

Although the trade union movement anticipated WorkChoices and took the lead in campaigning against it (Muir 2008), the ALP, then led by Kim Beazley, also staunchly opposed the industrial relations changes. Beazley spoke at union-organized "rights at work" rallies and pledged to "rip up" AWAs, to dismantle the Fair Pay Commission, to return the power to fix minimum wages to the AIRC, and to make "wholesale changes" to the unpopular new unfair dismissal laws (Grattan 2005, 2006). When Beazley was replaced by Rudd as ALP leader in early December 2006, it

fell to Julia Gillard, Rudd's new deputy leader and spokesperson on industrial relations, to negotiate with the unions in drafting the party's industrial relations policy.

The resulting policy manifesto, *Forward with Fairness: Labor's Plan for Fairer and More Productive Australian Workplaces* (Rudd and Gillard 2007a), was endorsed by the ALP National Conference in late April 2007. It unequivocally stated that AWAs and statutory individual contracts would not be a part of its workplace laws although it did promise that there would be "transitional arrangements." It pledged that there would be a legislated safety net for all Australian employees, which would expand the five minimal conditions of WorkChoices to ten by adding long-service leave entitlements, penalty rates for work on public holidays, minimum notice and redundancy pay for terminations, and the right for parents of school-age children to ask for flexible working hours. Awards could also contain a further ten minimum employment standards, increasing the "permissible" conditions in awards from sixteen to twenty. These additional matters were to cover minimum wages; type of work performed; arrangements for when work would be performed; overtime rates; penalty rates; provision for minimum annualized wages; allowances; leave; superannuation; and consultation, representation and dispute-settling procedures.

At the heart of the ALP's policy was a commitment to collective enterprise agreement making. Awards were to provide a "floor" for collective bargaining and collective agreements were to override award entitlements, provided that employees were "better off overall." There was a promise to simplify and reduce the number of awards and to develop a system of "modern awards" to provide minimum terms and conditions appropriate to particular industries, occupations, or enterprises. Awards would be reviewed every four years. Moreover, bargaining would have to be in "good faith." However, while the ALP's list of "workplace rights" included not only collective bargaining but also "freedom of association" and the "right to representation, information and consultation in the workplace," the role of unions

in the new system was more implicit than explicit. Employees were to have the right to seek advice and representation from their union, but the role of unions was definitely underplayed and restrictions on their activities remained. Indeed, the limiting of industrial action to periods of enterprise bargaining was to continue, and not all the union constraints imposed by WorkChoices were to be lifted. The ALP was not proposing to implement all the demands sought by the unions.

While the ALP policy included a pledge to protect Australian employees from unfair dismissal, this did not mean the restoration of the pre-WorkChoices status quo. For example, high-income employees were to be excluded from access to unfair dismissal procedures, and qualifying periods were to be imposed on eligibility. For businesses with less than fifteen employees, a worker would need to have been employed for twelve months before qualifying for unfair dismissal protection while a six-month probation period would be required for those working in larger businesses. Compensation for unfairly dismissed workers would also be capped.

The promise to create a "genuinely independent umpire" to oversee the ALP's industrial relations system was to be fulfilled by the creation of a "one-stop shop": Fair Work Australia (FWA). This was to be established by merging the AIRC, the Fair Pay Commission, the Office of Workplace Services, and the Office of the Employment Advocate. The resulting body would determine the minimum wage (annually), review awards, and give recommendations about national employment standards. It would also provide information and advice, undertake formal and informal dispute resolution, and have an inspectorate to monitor compliance. Within FWA, an "independent judicial division" and a separate (low-cost, lawyer-free) division would hear and determine unfair dismissal claims.

This announcement of the ALP's industrial relations policy triggered sharp opposition from the business community, not least because it felt that the policy had been devised through negotiations with the trade union movement without consulting

business interests. Mining industry leaders were the most vocal proponents of keeping AWAs (and excluding unions), and Gillard found herself under pressure to qualify what were seen as her threats to business if they adopted a partisan approach (Schubert, Bachelard, and Moncreif 2007; Bachelard et al., 2007; Grattan 2007a). Some of the most influential business industry bodies mounted an advertising campaign to support the continuation of WorkChoices (Grattan 2007b, 2007c; Muir 2008, 151–60).

In August 2007 Rudd and Gillard released *Forward with Fairness: Policy Implementation Plan* (Rudd and Gillard 2007b). This document was the result of consultation with business groups (as well as unions and others), and Rudd's greater involvement was partly intended to soften strained relations between business and Gillard, and to give assurances to business that would minimize its opposition to the ALP. The *Implementation Plan* had two goals: (1) to set out clear guidelines for the transition to the ALP's new industrial relations policy should the party win the approaching election and (2) to enhance the party's electoral stocks by minimizing the scope for the coalition government to mount a successful scare campaign by painting the ALP as dominated by the trade unions and thus liable to allow a return to "the bad old days" of strikes and "union thuggery." The document emphasized that the ALP's industrial relations policy was one that "gets the balance right in the workplace and achieves both fairness and flexibility" (1). The subtext to balancing fairness and flexibility was that the ALP would "get the balance right" between union and business demands. Being perceived in this way was an important goal for both Rudd and Gillard, who, informed by the party's focus group research (Jackman 2008, 136), were keen to be seen as not under the sway of either unions or business; they pointed to criticisms from both as evidence that they had achieved the right balance.

To this end, the plan restated not only that the "unfair" WorkChoices laws would be abolished (as promised in *Forward with Fairness*) but also that business could be certain that existing "right of entry laws" would be retained and that existing

secondary boycott laws would be kept, as would "tough restrictions" on industrial action (such as mandatory secret ballots before protected industrial actions could take place) and prohibitions against "pattern bargaining" (2). In addition, the Australian Building and Construction Commission, the building industry's watchdog organization, would continue in operation until the end of January 2010; thereafter, its responsibilities would be transferred to another body (24). The ALP's "sensible transition arrangements" included a two-year transition period before its new industrial relations system would be fully implemented, during which individual "transitional employment agreements" could be made available for new employees as well as those already subject to AWAs. Existing AWAs would be allowed to continue to operate for their full term (2). Moreover, while AWAs would eventually be phased out, common law agreements for employers and employees who wanted flexible individual arrangements would be allowed under three conditions: they didn't undermine the "safety net," employees earning more than $100,000 could have flexible common law agreements without the award system applying, and flexibility clauses would also be included in enterprise agreements (1).

In sum, the plan went a long way toward satisfying business concerns by keeping some of the restraints on unions and by allowing AWAs (without that name) so long as they did not undercut award conditions. In "getting the balance right," the ALP had bowed to business pressure. Effectively, the ALP was not promising to restore the pre-WorkChoices industrial relations conditions. Little wonder that some union leaders were angry that the ALP policy did not go far enough in removing WorkChoices (Schubert 2007a) and that the main union body, the Australian Council of Trade Unions (ACTU), did not directly campaign for an ALP vote in the Senate but rather issued how-to-vote cards calling for support for a party that "would abolish WorkChoices" (Bachelard, Murphy, and Grattan 2007). For the most part, however, union leaders muted any criticisms and maintained discipline because they were desperate to see an ALP victory (Muir 2008).

POST-ELECTION MANOEUVRES

The Rudd-led ALP achieved a decisive electoral victory on 24 November 2007. Opposition to the Howard government's Work-Choices was a major factor in that victory, as confirmed by exit polls (Browne 2007), internal ALP polling (Jackman 2008, 236), ACTU-commissioned polling (Bachelard 2007; Van Onselen and Senior 2008, 75), and the Liberal Party's federal director, Brian Loughnane (Shanahan 2007). Given the role played by the union movement in mobilizing opposition to WorkChoices and helping the ALP to victory (Muir 2008; Spies-Butcher and Wilson 2008), it is understandable that the immediate aftermath of the election included union demands to stop companies from entering into new AWAs and to backdate the rollback of WorkChoices. Rudd rejected such demands and maintained that the detail and timetable announced prior to the election would be honoured (Schubert 2007b).

The new ALP government did, however, move quickly to start the process of dismantling WorkChoices. The governor general, in his address to the opening of Parliament, announced that the government's "first legislative act" would be to abolish the capacity to make AWAs (Grattan 2008). On 13 Februray, the government introduced the Workplace Relations Amendment (Transition to Forward with Fairness) Bill 2008 (Australia 2008), urging the opposition, which still controlled the Senate, to "respect the will of the voters" by passing the legislation before Easter (Murphy and Schneiders 2008).

Essentially, the Transition Bill sought to prevent the making of new AWAs, to create new Individual Transitional Employment Agreements (ITEAS) during the period of transition to the new industrial relations system, to establish a new "no disadvantage" test for future workplace agreements, and to establish the framework for the Australian Industrial Relations Commission (AIRC) to begin the process of modernizing awards. This bill represented the first steps toward honouring the ALP's pre-election promises and involved extensive consultation with industry groups (Gollan 2008). It is worth noting, however, that while the bill

prevented new AWAs from being signed, existing ones could continue indefinitely and ITEAs (which could be signed until 31 December 2009) could also continue indefinitely unless either the worker or employer terminated them after their nominal expiry date (Schubert and Schneiders 2008). That is, the ALP partially reneged on the promise made in *Forward with Fairness* that individual contracts would have no place in the party's new industrial relations system. With the "no disadvantage" test, though, such new contracts could not be used to undermine working conditions (Cooper 2009, 287). Despite some divisions within the opposition, the shadow cabinet deemed it politically unwise to be seen to be still supporting the unpopular Work-Choices (Schubert and Schneiders 2008) and supported the legislation, which was duly passed before Easter and took effect on 28 March 2008.

THE *FAIR WORK ACT*

The passing of the Transition Bill was merely a limited first step for the Rudd government in seeking to establish a new industrial relations system that would replace WorkChoices. While the ALP government was determined to honour its pre-election promises, it faced a number of challenges, one being the need to write from scratch, rather than amend, the *Workplace Relations Act 1988* in order to honour its promise to produce shorter and simpler legislation (Sutherland 2009, 305). This would be a lengthy process. Another problem was that the new Senate from 1 July 2008, while no longer controlled by the opposition, was still one in which the ALP was in the minority. To pass its legislation, it would need either the support of the opposition or that of the Greens, Independent Nick Xenophon, and Family First's Stephen Fielding. There was also always the danger that as the time from the party's election victory increased, its "mandate" would be weakened and the threat of forcing a double dissolution election to get its legislation through the Senate would lose its potency. Yet another challenge was the need to negotiate a

course that largely satisfied union expectations and demands while not alienating key industry groups. Finally, the onset of the global financial crisis and the prospect of a major global recession had drastically changed the economic climate in which the legislation was to be enacted, which led to calls from business to delay the industrial relations changes.

The Rudd government released a draft of its new minimum employment standards the day after introducing the Transition Bill in Parliament. These National Employment Standards (NES) were not to take effect until 1 January 2010, but the early release of the draft was to allow for public consultation before a finalized version could be concluded in June 2008 to be incorporated into the Fair Work Bill (Sutherland 2009, 303). While this process was important because the AIRC would need to take these standards into account when drawing up its modern awards, it was also typical of the Rudd government's extensive consultation process in devising its new industrial relations system. The government established three advisory groups to help in drafting the legislation: the Business Advisory Group, the Small Business Advisory Group, and the Workers' Advisory Group. The Committee on Industrial Legislation, which was a subgroup of the government's Workplace Relations Consultative Committee, held exhaustive meetings with these three groups, as well as with state governments, in drafting and redrafting the bill (Cooper 2009, 288).

The product of these consultations, the Fair Work Bill 2008, was introduced into Parliament on 25 November 2008 — almost exactly one year after the election of the Rudd government. Many of its key features, however, had been foreshadowed in earlier speeches by Gillard that were politically astute in softening up opposition and preparing the groundwork for the bill. For example, details of the changes to unfair dismissal laws and the retention of some anti-strike laws were announced in September, provoking some union anger, and the (limited) scope for compulsory arbitration was outlined in mid-November (Schneiders 2008; Teicher 2008). The bill itself was greeted with general

acceptance. Malcolm Turnbull, now leader of the opposition, conceded that the government had a mandate to implement its industrial relations policy and stated that the opposition wouldn't oppose the bill, save for possible amendments. Business groups, while not totally happy with the greater employee and union rights, had told the opposition that they could "work with the flexibility" of the bill. Heather Ridout, head of the Australian Industry Group (and a member of the Business Advisory Group), for example, saw the bill as "by and large" a workable compromise. And overall, unions were satisfied with their greater rights and the restoration of the centrality of collective bargaining although spokespersons such as Victorian Trades Hall Council secretary Brian Boyd argued that the bill did not go far enough (Grattan and Schneiders 2008). It was expected that the bill would be passed in the new year after a Senate inquiry, with its main provisions taking effect on 1 January 2010 and its unfair dismissal laws coming into operation on 1 July 2009.

By late February 2009, the changed economic conditions brought about by the global financial crisis had brought stronger opposition to aspects of the Fair Work Bill from employer groups and the opposition Liberal Party. The Victorian Employers Chamber of Commerce and Industry called for a year's delay and then a review of conditions before introducing the changes to unfair dismissal laws, and the Minerals Council of Australia criticized the increased powers given to trade unions (Schneiders and Schubert 2009). At the same time, the Communications Electrical and Plumbing Union sought to take its complaints regarding the continued limits on trade union activities to the International Labour Organization (Schneiders 2009a). Yet the government remained resolute in resisting pressure to alter its laws, which were duly passed by the Senate after a compromise deal with Senator Fielding that allowed a phase-in period for changes to the unfair dismissal provisions (Murphy 2009; Karvelas 2009).

The *Fair Work Act* (Australia 2009) gave legislative form to the promises made in the ALP's *Forward with Fairness* manifesto and its *Implementation Plan*. It established Fair Work Australia

(FWA) and the Office of the Fair Work Ombudsman as its "one-stop shop" industrial relations body by merging the Workplace Authority, AIRC, Australian Industrial Registry, Workplace Ombudsman, and Fair Pay Commission as set out in *Forward with Fairness*. The promised judicial division of FWA, however, was replaced by Fair Work divisions within the Federal Court and the Federal Magistrates Court because of employer concerns with the lack of separation between judicial and non-judicial roles in the original proposal (Sutherland 2009, 305). The act expanded the safety net of guaranteed minimum conditions from Work-Choices' five to the ten National Employment Standards and increased the "permissible matters" in awards from sixteen to twenty as outlined in *Forward with Fairness*. Similarly, the act delivered on the pledge to introduce four yearly reviews of awards and yearly minimum wage rulings. It also fulfilled the ALP's promises to return collective agreements to centrality (with a "better off overall" requirement) and to stipulate that bargaining had to be "in good faith." Other commitments made in *Forward with Fairness* that were covered in the act were those to simplify awards and introduce a system of "modern awards" on an industry basis, to maintain some of the restrictions on union actions, and to enlarge the coverage of the unfair dismissal laws.

The *Fair Work Act* also brought to fruition modifications to the ALP's industrial relations policy that had been announced in its *Implementation Plan*. In particular, the plan's promise to allow "flexibility clauses" in enterprise agreements was incorporated in the act (Australia 2009, 196). Its outline of a transition period for individual agreements had already been honoured in the *Transition Act*'s ITEAs while its contentious pledge to maintain the building industry watchdog until January 2010 was upheld although not through the *Fair Work Act*.

Some elements of the *Fair Work Act* were not spelled out in detail prior to the 2007 election and became matters of dispute with interested parties, but overall, the government was able to satisfy most sections of the union movement without raising undue ire from business groups. For example, FWA was given the

power to arbitrate disputes (as wanted by unions), but this was greatly restricted (as wanted by business) to "first agreement" situations in low-paying industries and to situations where industrial disputes were "causing harm" and/or bargaining was not being conducted in "good faith." Similarly, although some restrictions on union activities remained, unions benefitted by the provision that union officials could now visit worksites where there were persons "eligible" to join the union (and not just where unionists existed) and by the removal of some anti-union prohibited matters in awards such as union training leave and union fee deductions.

THE AUSTRALIAN BUILDING AND CONSTRUCTION COMMISSION

With the passing of the *Fair Work Act* and the launch of Fair Work Australia on 1 July 2009, the Rudd government's drive to establish a new industrial relations system to replace that of WorkChoices was almost complete. However, the government still faced a challenge over building industry regulation. As noted above, one of Rudd and Gillard's public pre-election promises was that the Howard government's Australian Building and Construction Commission (ABCC) would be kept as "a strong cop on the beat" until the end of January 2010 and that its functions would thereafter be transferred to another body. For many unionists — not just those directly affected — this body was seen as discriminatory and anti-union with its powers to summon witnesses and impose heavy penalties for non-compliance. Hence, for them, it typified the worst features of the Howard-era industrial relations and needed to be abolished. In contrast, its maintenance was a subject of fierce lobbying and campaigning by employers in building and construction (Cooper 2009, 288).

The Rudd government appointed Murray Wilcox (a former Federal Court judge) to head an inquiry to recommend what would replace the ABCC, and the resulting report recommended continuation of the strong controls over workers and unions in

the building industry, including keeping, for at least another five years, the legal power to force building workers to be interrogated. Indications that the ALP government would follow the report's recommendations prompted some unionists to claim that Rudd had promised in April 2007 (prior to $500,000 being donated to the ALP by the Communications, Electrical and Plumbing Union) to abolish the ABCC and that a similar promise had been made by Gillard later that month at the ALP conference (Schneiders 2009b). The unionists concerned clearly understood from the "trust me" assurances of both Rudd and Gillard that the ABCC would be abolished as soon as the ALP was elected to government, and they would have been unhappy with the later commitment, given in the Transition Plan, in August 2007 that the body would remain until 2010. No wonder, therefore, that there was considerable anger among unionists at the prospect that the abolition of the ABCC appeared to be in name only and that it would be replaced by something with largely the same powers.

In the lead-up to the ACTU Congress in June 2009, the unions called for further changes to the industrial relations system, with the ABCC's abolition a major priority (Hannan 2009). Gillard's address to the ACTU Congress acknowledged the "debate and difference" over the Rudd government's honouring of its election promise to abolish the ABCC and replace it with a new specialist Fair Work body (Gillard 2009). She was booed by conference delegates (Allen 2009). Neither Gillard nor Rudd, however, was dissuaded from this course; they were able to overcome some backbench opposition to their legislation, which was introduced into Parliament on 17 June in advance of the ALP's National Conference. Once again, Rudd stated that complaints from both unions and industry over the issue suggested that the government had "got the balance right" (Grattan and Schneiders 2009). Prior to the conference, the ACTU, in its submission to the Senate inquiry on the legislation, had reluctantly accepted the proposed changes (Schneiders 2009c), and despite some protests from union leaders at the conference over the retention of coercive

powers in the building industry (Grattan 2009), the government position won the day. The legislation did reflect something of a compromise since fines in the building industry were to be reduced to bring them into line with other industries and greater safeguards against the coercive interrogation powers were to be introduced despite their continuation. However, the fate of the legislation, which would see the ABCC abolished and replaced by a specialist division of the Inspectorate of Fair Work Australia, was uncertain as Senator Fielding, once again finding himself holding the balance of power, insisted on a number of amendments that would prevent a softening of the new body's powers (Schneiders 2009d). Faced with this Senate opposition, the Rudd government decided not to persist with this particular piece of legislation and the ABCC, to the chagrin of the unions, has continued with its powers untrammelled. Julia Gillard, Rudd's replacement as prime minister, has shown no signs of abolishing the ABCC, and a building industry watchdog is liable to continue to be a matter of contention between the ALP and the unions.

THE 2010 ELECTION

In the wake of unfavourable opinion polls that presaged a Labor Party defeat and showed falling support for Rudd, Julia Gillard assumed the prime ministership on 24 June 2010 in what was seen as a coup engineered by party and union powerbrokers (Grattan 2010a). Within a month, she called an election to be held on 21 August. The ensuing campaign ranked as one of the most negative ever as Opposition Leader Tony Abbott maintained a mantra of stopping waste, stopping asylum-seeker boats, stopping the ALP's new taxes, and restoring the budget to surplus. Gillard, as a newly appointed leader, found it difficult to campaign on her government's record, especially since she had justified her replacement of Rudd in terms of the need to get the government "back on track." She was also in the position of being unable to make expensive promises as both sides vied with each other to appear the more fiscally conservative and the best placed

to restore the budget to surplus. The ALP, therefore, attempted to make industrial relations a major issue by mounting a scare campaign based on the possibility that Abbott, as a former Workplace Relations minister and committed supporter of WorkChoices, would, if elected, reinstate WorkChoices. A parallel campaign was conducted by the ACTU (Packham and Hosking 2010).

Abbott moved early in the campaign to assure voters that WorkChoices was "dead, buried and cremated" and that, if elected, he would not change the *Fair Work Act* in his first term of government, but when the Liberal Party failed to release an industrial relations policy, unions were not convinced (Schneiders 2010). Not all unions, however, supported the ALP. In Victoria, the Electrical Trades Union, which had disaffiliated from the ALP, chose to donate funds to the Greens, helping them win the formerly safe ALP seat of Melbourne. Neither the ALP nor the ACTU campaign over industrial relations proved effective, and the ALP suffered a heavy loss of seats in Queensland and lesser losses in New South Wales and elsewhere; despite strong support in Victoria, South Australia, and Tasmania, it lost its parliamentary majority. The opposition, however, also failed to gain a majority of seats, and protracted negotiations ensued to see which of Gillard or Abbott could form a minority government. The ALP had won 72 seats in the 150-seat chamber while the Liberal–National Party coalition had also won 72 seats — or 73 seats, if the National Party member elected in Western Australia, who initially refused to join the coalition (preferring to sit on the cross benches), was included in their numbers. The newly elected Green member and the Independent from Tasmania sided with the ALP and the Western Australian National Party member finally backed the coalition. This left three rural Independents, who were ex–National Party members, with the balance of power. Ultimately, seventeen days after the election, the two New South Wales Independents plumped for the ALP while the Queensland Independent backed the coalition, giving Gillard the barest of majorities with which to form a government (Grattan 2010b).

CONCLUSION

The ALP's handling of industrial relations policy affirms the bind that social democratic parties find themselves in — trying to maintain close relations with trade unions in a globalized world in which neoliberalism still dominates policy discourse, even if they are inclined to reject its more extreme policy outcomes. The Rudd government did not show itself to be overly beholden to the union movement despite its role in the ALP's election victory. In the name of honouring election promises, the ALP government resisted pressure from sections of the union movement to go further in undoing anti-union aspects of the industrial relations system left over from the Howard government years. It did not dissociate itself from organized labour, but it did, like other social democratic parties, tend to treat it more as "another interest group."

At the same time, it can be argued that the Rudd government both acceded to and resisted business pressure. Before the election, the ALP modified its policy in response to business opposition and showed considerable latitude in allowing lengthy transition periods before its new policies would take effect, but after the election, it resisted delays to its pre-election timetable. It certainly sought a closer relationship with business and undertook extensive consultation with representative business groups in formulating its policy and drafting its legislation. It did indeed seek to strike a balance between union and business interests. The ALP position in support of unions was strengthened by the public unpopularity of WorkChoices, which meant that such support was not an electoral liability in 2007. This also enabled it to resist business demands to a limited extent. As the distance from its election victory increased, however, the ALP found itself either less inclined or less able to resist business demands to maintain the building industry watchdog despite its earlier assurance to unions that it would be abolished. The failure of both the ALP's and the ACTU's scare campaigns over the possible return of WorkChoices to sway voters in the 2010 election and the subsequent reduction of the ALP to minority government

status, moreover, is liable to further weaken its links with the trade unions. Thus, while the ALP has, unlike some other social democratic parties, been able to maintain its links (albeit weakened) to trade unions, its need to placate business groups has also demonstrated the limits of social democracy in a globalized world.

SWEDISH SOCIAL DEMOCRACY AFTER THE COLD WAR

Whatever Happened to the Movement?

KJELL ÖSTBERG

Swedish social democracy holds a unique position in twentieth-century political history. For forty-four years, from 1932 to 1976, the Sveriges Socialdemokratiska Arbetareparti (SAP, the Social Democratic Workers' Party of Sweden) held the reins of governmental power, and for twenty-one of the last twenty-eight years, the country has had a social democratic prime minister. The Swedish model has long been extolled as a successful prototype of a communist planned economy combined with free market capitalism. Furthermore, both researchers and political analysts have concluded that during the twentieth century, Sweden made great strides in the areas of welfare, equality, social consensus, and, more recently, gender equality. Generally, the focus has been on the SAP, whose strong organization, dominant political position, capacity for new ideological thinking, and, in particular, ability to carry out its program for a strong welfare state have drawn admiration or, at the very least, considerable attention. Academics and politicians Gunnar and Alva Myrdal, labour union economists Rudolf Meidner and Gösta Rehn, and politician Olof Palme each symbolize a social democracy that stands out as being somewhat more radical than that of other Western countries. On one occasion, French president Georges Pompidou,

who was far from being a radical himself, said, "Le paradis — c'est la Suède — avec plus de soleil": Sweden is paradise, only with more sun. The 1989 anthology published in English as *Creating Social Democracy* (Misgeld, Molin, and Åmark 1992), with contributions from Swedish and international researchers, denotes a high point for this phase in terms of both the international view of the country and Sweden's self-image as being state-of-the-art.

But by no means has international research on social democracy ceased. In recent decades, a number of monographs and anthologies have explored how international social democracy, adjusting to new global conditions, has adopted a market orientation, shifting its focus from policy to the market. Titles include *Social Democracy in Neoliberal Times: The Left and Economic Policy Since 1980*; *The Retreat of Social Democracy*; *Globalization, Europeanization and the End of Scandinavian Social Democracy*; and *Il socialismo davanti alla realitá*. It is obvious, however, that Sweden and Swedish social democracy no longer represent a source of inspiration for international debate.

To be sure, references are still often made to the classic Swedish model, and it is not unusual to hear claims that some parts of the social welfare system implemented by the social democrats live on to a great extent in Sweden: for example, attention is often called to the family and equal opportunity policies or the collectively financed welfare system (Vartiainen 2001). At the same time, one is struck by the fact that social democracy has ceased to function as a creator of ideas (Andersson 2010). Little or no reference is made to new Swedish ideological innovation, and no Swedish debaters of ideas from the SAP or the trade union movement are mentioned or even included as references in the works that deal with developments in recent decades. Indeed, notwithstanding the titles mentioned above, research on social democracy has been extremely modest in recent decades, and, surprisingly, Swedish research on social democracy has largely ceased. Although the development of the Swedish welfare state has been the subject of extensive research (Blomqvist and Rothstein 2008; Rothstein and Vahlne Westerhäll 2005; Palme 2003;

Lundberg 2003; Svensson 2001), only a handful of studies have dealt with the development of Swedish social democracy. These include Jonas Hinnfors's comparative work *Reinterpreting Social Democracy: A History of Stability in the British Labour History and the Swedish Social Democratic Party* (2006) and Jenny Andersson's recently published *The Library and the Workshop: Social Democracy and Capitalism in an Age of Knowledge* (2010).

The reasons for social democracy's political reorientation in general and Swedish social democracy's diminished standing as an ideological innovator in particular can, of course, be sought in many different quarters. Suggestions include the end of the long period of prosperity following the Second World War, which helped create both the ideological and material foundation for the Fordist welfare state; the fall of the Berlin Wall and the end of the Cold War, which caused many people to stop looking for a model combining capitalism and communism; and the breakup of the industrial society and the weakening of the classic industrial working class, the social foundation for Swedish social democracy, which in turn has led to shifts in the composition and organizational effectiveness of the SAP. Let us begin with this last aspect.

FROM LABOUR PARTY TO LIBERAL PARTY? THE CHANGING SOCIAL DEMOCRATIC MOVEMENT

For a hundred years, Sweden's working class has been one of best organized in the world. With considerable self-assurance, the SAP has referred to this comprehensive organizational sphere as "The Movement." In 1989, the SAP had 1.23 million members in a country with a population of a little over eight million. Most of the party's members were affiliated through the trade union movement. Since World War II, the unionization rate in LO (Landsorganisationen i Sverige), the Swedish Trade Union Confederation, has been between 80 and 90 percent, and it has been among the highest in the world since the 1930s. Until the beginning of the 1990s, a significant number of LO's members

were affiliated with the SAP. The decision to affiliate with the party was made by the individual locals of the LO. Those individuals who did not wish to affiliate could ask to withdraw by entering a protest against the decision.

As recently as the 1970s, the party's youth league, the Social Democratic Youth of Sweden (Sveriges Socialdemokratiska Ungdomsförbund, or SSU), reported having 60,000 members, and it has long been dominated by working-class youth. In the same decade, S-Women (Social Democratic Women in Sweden — Sveriges Socialdemokratiska Kvinnoförbund, or S-kvinnor) had 35,000 members. Children were organized into the Unga örnar (Young Eagles) and the Swedish Association of Christian Social Democrats into the Broderskapsrörelsen (World Brotherhood). A social democratic student society also existed off and on. At its height, A-pressen (the Swedish Social Democratic Press Holding Company) published some thirty social democratic newspapers.

But the social democratic family was even bigger than that. It encompassed a number of other organizations, even if the ties were not always formalized. In addition to the LO, the most important one, these included the Workers' Educational Association, which organized thousands of study circles and lectures; a number of public high schools; and more than a thousand People's Houses and several hundred People's Parks around the country. Without doubt, organizations such as the Swedish National Pensioners' Organization and the Swedish Union of Tenants could also be called members of the movement. Furthermore, an extensive co-operative movement collaborated closely with social democracy, with its own wide-ranging set of operations, including the insurance company Folksam, the co-operative housing society HSB, a motion-picture company, advertising firms, and even a national chain of undertakers.

Although most of these organizations were independent entities vis-à-vis the SAP and were open for membership to others, there is absolutely no doubt that they were part of a movement dominated by social democratic ideology. A study of the organizations invited to attend SAP congresses serves as a

reliable yardstick for who belonged to "the movement." The party never hesitated to safeguard the leadership of, for example, the union organizations or the co-operative housing society if it was challenged by communists or other opposition groups. It goes without saying that the chairs of LO and the labour unions have been social democrats members and that, even in other leadership posts, SAP dominance has been ascendant (Gidlund 1992).

While most of these organizations still exist, this entire "world of movements" is on the threshold of dissolution. The organizations' ties to social democracy have weakened both ideologically and organizationally. In part, this is due to changes in the class structure and composition of Swedish society. Historically, Swedish social democracy has been one of the world's most proletarian organizations, with particularly strong influence in traditional working-class milieus. The weakening of these milieus has led to the dissolution of many of social democracy's most powerful strongholds. At the same time, the movement has had obvious difficulties in establishing new structures in the country's dynamic, growing metropolitan areas.

Another factor that has contributed to the altered prerequisites for social democratic dominance is the weakening of traditional social movements in general and of political parties in particular. Sweden's "popular movements" — the labour movement, the free church movement, the temperance movement, the women's liberation movement, and the sports movement, to name a few — enjoyed their glory days in the first half of the twentieth century. In general, they were ascribed great importance for the democratization of Swedish society. Because most political parties have their roots in these movements, their members (especially those of the labour movement) have, to a great extent, been integrated into the political system.

In recent decades, however, the traditional social movements have been losing ground. Two developments — their inability to recruit members and the rise of the average age of movement members — also apply to Sweden's political parties in general: since 1990, the total membership of political parties has decreased

from 625,000 to a little over 250,000 today. This decrease has occurred simultaneously with the professionalization of the parties' operations. Furthermore, a major increase in state funding, which the social democrats strongly supported and pushed through, contributed to this development (Östberg 2005a).

A decisive change in the SAP's membership occurred when LO nullified its affiliation with the party at the beginning of the 1990s, thereby decreasing the party's membership rolls from over a million to 250,000 at the beginning of 1992. Since then, party membership has continued to decline substantially, and today it stands at fewer than 100,000. The numbers for other members of the social democratic family have also decreased: in just a few decades, the Social Democratic Women in Sweden has lost 80 percent of its members. But the biggest decline occurred in the Social Democratic Youth of Sweden, which reported a membership of only a few thousand in 2009.

Other elements of the social democratic movement have also weakened considerably. Most important, LO lost half a million members — a quarter of its total membership — during the last decade. The co-operative movement experienced numerous financial crises, which led to restructurings and an attendant weakening of its ideological profile. Many People's Houses have fallen upon hard economic times; some have been closed, while municipalities have taken control of others.

A particularly troublesome issue for social democracy is its weak press. At both national and local levels, it has traditionally been difficult for social democratic newspapers to hold their own against the liberal and conservative newspapers, which have a broad advertising base and resulting significant financial resources. Nevertheless, for a great many years, the major cities and most counties were home to a large number of social democratic newspapers. However, when A-pressen, the social democratic newspaper company, declared bankruptcy in 1992, most of the social democratic newspapers went under. The situation in the big cities is particularly distressing. The only newspaper with a nationwide reach is the LO-owned tabloid, *Aftonbladet.*

The weakening of the social democratic movement's structure is an important contributing factor to the change in the membership's social composition. Even though most of the union-affiliated members were, on the whole, passive, the dissolution of the union affiliation led to a substantial erosion of the SAP's worker base. One expression of the broken relationship between social democracy and the trade union movement is the substantial decrease in the number of social democratic ombudsmen at workplaces. As recently as the 1990s, the party could recruit 100,000 activists, who made crucial contributions, primarily in election campaigns. Today, this type of organizational structure is steadily disappearing. Moreover, because of the collapse of its youth organization, the party has lost what traditionally was its most important source for recruiting leaders at different levels: by and large, most industrial towns lack any sort of social democratic youth league.

The altered social composition is particularly noticeable in the area of elected representatives within both the party and the political system. Proportionate to their electoral base, the social democrats are severely underrepresented by workers at political assemblies, and this underrepresentation becomes more and more perceptible as one moves up the hierarchy, with the imbalance being most obvious at the top. In Olof Palme's first government at the beginning of the 1970s, half of the cabinet ministers had backgrounds as LO-affiliated workers; in the social democratic government that resigned in 2006, only two cabinet ministers were affiliated with LO.

The professionalization of politics has also meant that the share of career politicians — that is, leading representatives who lack professional experience outside of politics — has grown considerably. This has led to the coinage of a new expression, "political nobility," which alludes to the fact that many new leaders are the children of an older generation of SAP politicians. At the most recent shift in party leadership, in 2006, neither Mona Sahlin nor Per Nuder, the leading candidates, had much professional experience outside of politics, and their fathers held

prominent positions within the movement and the heavily social democratic public administration.

Until recently, the values that formed the basis of the labour movement's egalitarian ideal dominated, even at the upper stratum of the SAP. Leaders with roots in the bourgeoisie also remained fiercely loyal to the movement and its values. Interestingly enough, the loosening of these ties in the 1990s was the predecessor for what came to be known as "the chancellery Right," to be discussed below. Two social democratic finance ministers, Kjell-Olof Feldt and Erik Åsbrink — who created a stir when they left the government in the 1990s to protest the fact that their demands for the shift of the economic policy in a neoliberal direction were not met quickly enough — continued their careers as professional board members in the private sector, something that would have been unthinkable for a previous generation of finance ministers. Following their departure, a number of their colleagues likewise resigned from positions in the social democratic cabinet office. For example, financial advisors moved to the big banks or to core activities in the government, in particular within the Swedish Central Bank and agencies that create policy (Östberg 2005b).

However, Göran Persson, the party leader and prime minister from 1995 to 2006, stands out as a symbol of the inclination of the new generation of social democrats toward a bourgeois lifestyle. During his tenure as party leader, Persson had already attracted considerable attention when he became "lord of the manor" in a huge home he had built for himself and his family. Immediately following his resignation, he became a well-paid associate of the JKL Group, one of the Nordic region's leading strategic communication advisors. In other countries, this development would probably not have attracted much attention, but in Sweden, where equality is still considered an ideal worth striving for and a guiding principle within the labour movement, it contributed significantly to a decline in the legitimacy of social democracy.

Another symbol-laden event occurred during the financial crisis of spring 2009, when new revelations implicated LO

chairperson Wanja Lundby-Wedin in a scheme to give the directors of a pension company, half of which was owned by the trade union movement, huge bonuses at the same time that the workers' pensions were reduced. When word got out that her combined income amounted to the wages of four or five workers, even more light was shed on the huge gap in living standards between the workers and their representatives.

From the very beginning, the SAP was one of the most proletarian political parties in the world. Voting by class, still practiced today, has also lasted longer in Sweden than in many other countries, even though this practice decreased after the turn of the twenty-first century. Whereas in the 1960s more than 80 percent of workers affiliated with LO voted for the SAP, in the 2006 election that share had declined to 52 percent. The second biggest "labour party," the right-wing Moderate Party, received 13 percent of the LO votes, while the Left Party, the old Communist Party, received 8 percent. A simultaneous decrease in the working-class population means that the SAP's electoral base has changed significantly. In 1976, 67 percent of the party's voters were workers, 22 percent were low- and mid-level salaried employees, and 5 percent were upper-level salaried employees. In the 2006 election, 40 percent of social democratic voters were workers, who were affiliated primarily with LO; 40 percent were salaried employees, who were affiliated primarily with the Swedish Confederation of Professional Employees (TC); and 9 percent were upper-level salaried employees (Gilljam and Holmberg 1995; Oscarsson and Holmberg 2008).

"UNION-POLITICAL CO-OPERATION": RELATIONS BETWEEN LO AND THE SAP

By international standards, the Swedish trade union movement has historically had a very high unionization rate and, since the 1930s, has also included a significant number of salaried employees. Sweden has three trade union organizations: SACO (the Swedish Confederation of Professional Associations) for

university graduates or professionals with college degrees, with about 600,000 members; TCO (the Swedish Confederation of Professional Employees) for salaried professionals, with 1.2 million members; and the blue-collar worker-dominated LO, with 1.6 million members organized into fifteen trade unions, of which the Swedish Municipal Workers' Union, the Swedish Metal Workers' Union, and the Industrial Labour Union predominate. For several decades, the unionization rate has been slightly over 80 percent for the LO collective and just under 80 percent for the salaried employee groups. When the Liberal-Conservative coalition took government in 2006, it raised the fees for the unemployment benefit funds, which as a rule were administered by the trade unions. This caused the unionization rate to drop sharply, but it began to rise again as a result of the 2008 financial crisis.

While SACO and TCO are unaffiliated politically, civil servants in particular often have good relations with the SAP, and it is not unusual for TCO's chairpersons to be recruited for important posts in SAP governments and their cabinets. Since 1898, LO has enjoyed a strong symbiotic relationship with the SAP. An important formal change in these relations — namely, the termination, mentioned earlier, of the union affiliation at the beginning of the 1990s — did not weaken the ties between LO's leadership and the SAP. LO's chairperson has a reserved seat at the highest level of leadership in the party, and the LO's management committee and most of the general secretaries and lower-level elected representatives are also SAP members. One of the party's primary tasks during the Cold War was to keep communists from holding union positions, and even if this policy is no longer upheld as categorically as it was previously, it is still very unusual for prominent leaders in LO or its labour unions to be anything other than social democrats.

The trade unions within LO still make significant contributions to the SAP and its election campaigns, and "union-political co-operation" is a core concept in relations between the party and LO (Johansson and Magnusson 1998). The close ties between LO and social democracy do not mean that significant conflicts

of interest have not arisen over the years. A serious disagreement arose in the 1980s when the SAP government enacted the first neoliberal-influenced austerity program, which led to real wage cuts and widened social gaps. People spoke of a "war of the roses" between the government and LO. Furthermore, the austerity program carried out by the SAP government following the financial crisis in the early 1990s led to widespread protests from LO. The 1996 LO Congress constituted a high point in the area of frosty relations. When the party chairperson gave his traditional speech at the congress, always one of the defining moments of any congress, he was met with icy silence (Persson 2008). In the 1998 general election, only 54 percent of LO's members voted for the SAP, a record-low figure for the period. Thanks to the efforts of LO chairperson Vanja Lundby-Wedin, relations between the party and LO have improved in the last decade. She has beem more willing to accept the party's neoliberal course, and her political views are very close to those of Mona Sahlin, the new leader of the party.

Sweden's relations with the European Union also led to a critical schism in some sectors of the trade union movement. While the SAP leadership has continued to push for EU membership, there has been strong opposition within LO. During both the 1994 referendum on EU membership and the 2003 referendum on the conversion to the euro, a clear majority of LO's members voted against both (69 percent in 2003) — and several labour unions took an active stand on the "no" side. Despite this disagreement, however, LO's leadership remained loyal to the party leadership (Oscarsson and Holmberg 2004).

Another area of tension involved the ratification of the Treaty of Lisbon: a debate ensued on how LO would counter the risk that the EU's services directive would negatively impact Swedish labour laws and, primarily, the right to enter into labour contracts. In the end, LO's leadership, as well as that of the SAP, categorically rejected all requirements that Sweden stipulate the clarification of these issues, which were so important to the union, as a condition for the ratification of the treaty.

CONFLICT AND COLLABORATION ON THE LEFT

Ever since the party split in 1917, the conflict with the Communist Party has been a priority for social democracy and LO. It intensified during the Cold War, when Prime Minister Tage Erlander coined the now-classic slogan, "Every union must be turned into a battleground against communism." The Swedish Communist Party was one of the first to free itself from Moscow's grip and was also one of the few communist parties to openly criticize the Soviet Union's invasion of Czechoslovakia in 1968. In 1967 it changed its name to the Swedish Left Party–Communists. Immediately following the fall of the Berlin Wall in 1990, the word "Communists" was dropped from the party's name, and it is now called simply the Left Party. The party has had limited parliamentary influence, receiving on average about 5 percent of the votes in parliamentary elections. However, during long periods of time, social democracy has needed the active or passive support of the communists to retain its power. This support was given without demands for anything in return; it was assumed that the communists would never take any actions that might bring down a pro-labour government. Until the end of the Second World War, the communists' influence among the metal and mine workers, for example, was not insignificant. Since the 1950s, however, this has decreased markedly, in part because of the SAP's successful efforts to isolate the communists and in part because of the Left Party's altered social base: its roots in the working class have been replaced with middle-class groups such as teachers, social workers, and hospital personnel.

During the 1990s, the Left Party, under the leadership of the charismatic Gudrun Schyman, made considerable gains in parliamentary elections, and in 1998 it received 12 percent of the votes, its hitherto biggest share. With great skill, Schyman succeeded in playing on the pent-up criticism of the tough economic measures imposed by the social democratic government. In particular, she attracted to the party many women within the public sector. At the end of the 1990s, a more organized form of parliamentary collaboration, one that also included the

Green Party, was established between the SAP and the Left Party. Undeniably, this collaboration represents a new chapter in relations between the SAP and the reformed Communist Party. At the same time, the Left Party had to pay a high price to gain admittance to the parliamentary "sanctuary." This also coincided with the stringent economic measures that the social democratic government carried out during the same period in an effort to repair the damage to the Swedish economy brought on by the crisis at the beginning of the 1990s. The Left Party, mainly at the local and regional levels, had to take responsibility for sweeping cutbacks in, for example, the school system and health care. As a result, at the turn of the twenty-first century, the Left Party returned to a more normal number of votes. Gudrun Schyman's resignation as party leader for personal reasons also contributed to the party's decline. While Schyman became involved in the organization of a new feminist party, Lars Ohly, the new party leader, has had major problems with public opinion, not the least because he has been depicted as being too faithful to the party's communist past (Hadenius 2008).

In recent years, the formalized collaboration among the SAP, the Left Party, and the Green Party has been strengthened even further. On the threshold of the 2010 election, the three parties formed an electoral pact with a view to forming a government together. If they had succeeded, another line in social democracy's traditional reluctance to collaborate with the former Communist Party would have been crossed. At the time of this collaboration, the Left Party was forced to make more concessions, including a pledge to exercise strict budget discipline. (See the postscript to this chapter for a discussion of the 2010 election.)

Although at the union level, the current Left Party barely exists as a cohesive political force, some members of LO who are critical of the social democratic government's neoliberal-oriented politics have expressed an interest in seeing the SAP expand its collaboration with the Left Party since, to some extent, it could balance the party's swing to the right. This interest has been further reinforced by the current party leadership's indication

that it is more interested in collaborating with the Green Party than with the Left Party. The Green Party is further to the right on such matters as privatization and the loosening of labour laws and has, on numerous occasions, sought to collaborate with the Liberal and Conservative parties on these issues. In the fall of 2008, the attempt by the SAP leadership, headed by Mona Sahlin, to exclude the Left Party from a future government coalition and unilaterally pin its hopes on the Green Party aroused widespread protests among the social democrats who were active in the unions, and Sahlin was forced to back down.

Notwithstanding this attempted move to the right, a significant change has occurred in social democracy's willingness to co-operate with other groups on the left. For many decades, social democracy's standing was so strong that it could dismiss collaborative efforts, and a visceral anti-communism strengthened this position. Instead of moving closer to the new social movements that developed in the 1960s and 1970s, the party backed away from them. This was most evident in relation to the most powerful movement — the one that opposed the Vietnam War; rather than embrace that movement, the party chose to build its own solidarity organization, which failed to win the trust of young people. With respect to the environmental and women's movements that were emerging, the distrust between social democracy and the young radicals was often deep and mutual. As a result, the party, to a large extent, lost the sixties generation (Östberg 2005b).

To some extent, the SAP has learned its lesson. When the growth of a new generation of radical youth around Attac, the alternative globalization movement established in 1998, appeared imminent, a new kind of openness emerged. For example, for several years, LO and Attac arranged joint summer courses aimed at finding opportunities for dialogue. Around the country, ABF (Arbetarnas Bildningsförbund, or Workers' Educational Association), LO, and new social movements are collaborating in a "socialist forum," something that would have been unthinkable prior to 1990 (Sörbom and Abrahamsson 2004). Of course, the

fact that anti-communism lost some of its historical significance after the fall of the Berlin Wall has also contributed to social democracy's relaxation of its previously rigid attitude toward collaboration with the Left.

SOCIAL DEMOCRACY'S ECONOMIC POLICY UNDER NEOLIBERALISM

Social democracy's adaptation to a monetarist and neoliberal-influenced economic policy began as early as the 1980s. For many people, Swedish social democracy has represented somewhat of an ideal for traditional reformist welfare policy. The classic Keynesian policy was adopted in the 1930s, and in the 1950s, LO economists Gösta Rehn and Rudolf Meidner drew up an economic policy that was adapted to the long postwar boom with the aim of counteracting inflation and overheating crises. This policy, known as the "loyal wage policy," was based on keeping down wage increases in the dynamic, export-dependent sectors of industry and supporting wage increases in the less expansive sectors of industry. The elimination of less competitive industrial sectors, which this policy caused, was compensated for with an effective unemployment policy. A high burden of taxation served to dampen inflation and at the same time made room for a growing public sector. The Fordist welfare state ended in Sweden in the 1970s, when the public sector's share of the gross national product increased to 50 percent. Simultaneously, the long economic boom came to an end and the material basis for the widespread reform program was undermined to a considerable degree. Important sectors of Swedish industry — for example, steel and shipbuilding — were particularly hard hit by the structural crises of the late 1970s.

Between 1976 and 1982, when the deepest phase of the economic crisis occurred, the SAP was in opposition for the first time in forty-four years. When the party returned to power again after the 1982 election, the conditions for traditional social democratic politics had undergone a profound change. In part,

the Swedish economy was seriously weakened by huge budget deficits, significant unemployment, and a high rate of inflation. No improvement in the economic situation could be discerned; the economy had slipped into a deep structural crisis, and industrial output hit rock bottom. Milton Friedman replaced Keynes as the guiding star for many economists. Nor did Swedish social democracy remain unaffected by these winds of change. In particular, a group of young economists who gathered around Olof Palme's finance minister, Kjell-Olof Feldt, in what was referred to earlier as the "chancellery Right," were attracted to the new ideas. Themes reflecting the economic change and the swing toward neoliberalism were already evident in the government's first financial document, which offered this harsh message: "An upswing in industrial output must lead to an improvement in industry's earnings situation. At the same time, consumption must be contained so that the country's total savings can increase" (Feldt 1991). Anti-inflationary measures were given priority. Growth in the public sector would be drastically reduced. A halt to reforms at the national level was recommended, and expansion at the municipal level was restricted. In one fell swoop, an offensive devaluation of 16 percent reduced wage earners' living standards by 4 percent, while the government stuck to its ambitions in regard to employment, proclaiming that it had entered upon a new "Third Way" when it came to "both saving and working its way out of the crisis" (Feldt 1991). It should come as no surprise that the policy was a controversial one and led to more clashes between the SAP leadership and LO. The conflict, which came to be called "the war of the roses," had to do primarily with the consequences of the social democratic government's redistribution policy. Moreover, in the mid-1980s, the government took the first steps toward deregulation of the economic policy, primarily the detailed regulation of banking operations and currency deregulation (Östberg 2009).

Simultaneously with the negative consequences of the social democratic government's "Third Way" around 1990 — with overheating tendencies and increased inflation — a clearer course

toward a supply-driven policy began to take hold. The crisis was explained in terms of endogenous factors — to a great extent, by the growth restrictions in the financial system, which is why continued deregulation was considered necessary. At the same time, marginal tax rates were reduced sharply as part of a comprehensive tax reform. An important symbol of this gradual move from Keynes to a standard national policy was the social democratic government's decision, outlined in its 1991 budget proposal, to prioritize price stabilization over employment; combatting inflation would be the definitive goal for the government's economic policy. Even more significant in the long run was the concurrent decision to apply for Swedish membership in the European Union (Svensson 2001).

In 1991 the SAP lost power to the Conservatives and the country suffered its most severe economic crisis since the 1930s. Liberal and Conservative governments in Sweden have had the incredible misfortune to come to power during deep recessions. The newly elected Conservative government, under the leadership of Carl Bildt, continued and expanded the market-based economic policy, which, in this serious situation, led to an unemployment rate of over 10 percent, a grave crisis for the Swedish krona, high interest rates, and a substantial budget deficit. In certain areas, important steps were taken to relax the public monopoly; in the schools, for instance, special funds were introduced that could be used for private "independent schools."

The social democratic government's return in 1994 signified only a limited extension of some form of recovery policy. Instead, in the second half of the 1990s, the government executed a very comprehensive policy of economic austerity. The policy proved successful to the extent that the budget deficit could be combatted but at a high price of cutbacks in the welfare system and widening social gaps. A government-sponsored evaluation showed that several vulnerable groups, including single parents, were hit hard by the policy (Palme 2003).

At the same time, several decisions increased the market's influence at the expense of public policies. The most important

of these was the independence of the Swedish Central Bank and thereby the monetary policy vis-à-vis political decisions. Another was the introduction of the SAP's cherished budget ceiling, a brake on fiscal policy that automatically prevented excessive deficits in the national budget. With this decision, the party showed that it has come a long way from its Keynesian past. This "responsible" budget ceiling policy has become such a core component of social democracy's identity that the Left Party had to accept the ceiling if it wished closer co-operation with the SAP — and it did.

Although Swedish social democracy had already begun its ideological reorientation in the 1980s, Sweden's affiliation with the EU has greatly accelerated a market-based policy. As is well known, the EU has been a driving force in promoting deregulation and privatization, and Sweden not only has accepted its decisions but has often been the first EU member to implement them. Particularly noteworthy is the fact that no slowdown in this process could be discerned in the period from 1997 to 2002, when a majority of the EU countries were being run by social democratic governments. Quite the opposite, in fact. For example, the far-reaching decisions passed by the EU in 2002 regarding the deregulation of, among other entities, the energy market received the full support of the social democrats in Sweden. The SAP was also a driving force in the ratification of the Treaty of Lisbon in spite of its obvious neoliberal values and, particularly, the criticism directed at it from the trade union movement, which felt that it did not adequately protect Swedish labour laws. Leading Swedish social democrats often referred to the Third Way of Britain's Labour Party in glowing terms, and SAP leader Göran Persson was always more than willing to mention his friendship with Tony Blair (Persson 2008).

Under the leadership of the social democratic government, widespread deregulation of parts of the infrastructure within the transportation and energy sectors occurred in the early 2000s. Developments aimed at market adjustments of some areas of the public sector also continued. More and more spheres within

health care, eldercare, maintenance, and technical administration received tenders from private companies. In Sweden, the municipalities are responsible for most of these operations. There is no denying that municipalities and county councils with Liberal and Conservative majorities have led the way in terms of privatization and the sell-off of public sector enterprises; in general, however, the measures have been accepted and pursued by SAP-run municipalities. Only on rare occasions have the social democrats altered decisions made by a Liberal and Conservative majority.

In some areas, Sweden has been an international standard bearer for the marketization of the social system. A prominent example is the transformation of the pension system. In the 1950s, Sweden put into place a general pension system based on payroll taxes; social democrats likened it to the jewel in the Swedish welfare system crown. In 1994 this system was replaced with a system defined entirely by fees based on the lifetime-income principle. In addition, the Swedish pension funds, which previously were used primarily for public investments, particularly housing construction, have, to an ever-greater extent, been invested in the stock market — and thereby been subjected to the falling share prices of recent years.

Although significant parts of the Swedish welfare system have been market-based, exposed to competition, and, to some degree, privatized, the system is still publicly financed primarily by taxes. Among the general population, support for the public sector is considerable, and skepticism toward sell-offs and privatization is significant. Opinions also tend to be split along party lines. A very clear majority of SAP and Left Party sympathizers oppose the increased privatization of health care and eldercare, as well as the greater concentration on independent schools. They also want to prevent profit-seeking companies from running publicly financed enterprises. The SAP leaders, however, pay little or no attention to these points of view. In fact, Mona Sahlin, the SAP leader from 2007 to 2011, was very sympathetic to the "renewal work," which is the way deregulation

and privatization are often presented, and this attitude played a large role in her strategy to move the party to the right in order to contend with the Liberal and Conservative parties for the voters in the middle in the 2010 election.

THE PROGRAMMATIC ADAPTATION

The party's altered economic policy has also found expression in changes in the party's program. In this respect, the 2001 SAP Congress symbolizes a programmatic adaptation to neoliberalism. There is reason to believe that this also reflects the change in the party's social base. Even before the First World War, the leadership of the party was put into the hands of a layer whose expressed purpose was to transform it into a responsible, reformist, parliamentary party. A strong leftist current was driven out in 1917. But even though the party's ambitions to transform society were limited to a reformist perspective, the socialist goals persistently remained in the party program. Under pressure from Sweden's Communist Party, the social democrats inserted wording into their program to the effect that they wanted to "do away with the capitalistic ownership of the means of production and put them in the hands of and under the control of society" (quoted in Gunnarsson 1980). The program was revised extensively in 1944, and the paragraph about goals and objectives that was approved at that time remained in effect, for the most part, until 2001. It read: "Social democracy wants to reshape society so that the right to make decisions regarding production is put in the hands of the people, to liberate the citizen from being dependent on every type of power group outside their control, and to leave room, in a society built on classes, for a community built on a foundation of freedom and equality, with people working together" (quoted in Gunnarsson 1980). Although this was no longer necessarily about putting an end to capitalism and the class society, the objective was still to put the right to make decisions regarding production in the hands of the citizens.

In 2001, in the party's *Protokoll Västeråskongressen* (SAP 2001), the corresponding section was formulated as follows: "Social democracy wants to allow democracy's ideal to put its stamp on the entire social order and people's reciprocal relationships. We strive for a social order in which every individual can influence development on both a large scale and in everyday community work. We strive for an economic plan in which every individual, as a citizen, wage earner and consumer can influence the direction and allocation of production and the organization and conditions of working life." Demands having to do with the right to make decisions regarding production have been excised. Citizens and wage earners should be able to *influence* the direction and allocation of production, but nothing is said about how and to what extent. Above all, the desire to completely transform society is absent. This is no longer about putting power in the hands of the people. The last remnants of any fundamental ambitions for transforming society have disappeared into thin air. A leftist current that wanted to maintain the previous goal of putting "the right to make decisions regarding production in the hands of the people" was rejected as being old-fashioned. Instead, the concept of "democracy" was proposed as the superior concept. Thus, in his remarks at the 2001 congress, party leader Göran Persson declared that "democracy" cannot be captured in a single form or in a few steps. It must move on different planes, in a continual interplay among human beings. It should come as no surprise that critics of such an amorphous definition tended to deconstruct the content of the concept of democracy.

With this general concept of democracy as a tool, the 2001 SAP Congress also confirmed the party's adaptation to a neoliberal-influenced welfare policy. In response to criticism from congress representatives who believed that the new party program opened the door far too wide for privatization and for increased profits within the school and medical and social services sectors, the party executive's reporter stated: "This is about recognizing the desire of human beings for greater freedom of choice and more influence" (SAP 2001).

At the congress, the core party leadership argued in favour of change, as did, for example, representatives of the student society. LO chairperson Wanja Lundby-Wedin underscored the fact that the party agreed to "the economic system we have today, to a market economy. We said 'yes' to a market economy because we believe that it is the economic system that can best create growth, growth that will then permit us to use trade-union and political power to ensure that our distribution policy is as equitable as possible" (SAP 2001).

SOCIAL DEMOCRATIC FOREIGN POLICY AFTER THE FALL OF THE BERLIN WALL

On the whole, social democratic foreign policy, which during the postwar period was identical to the official Swedish one, has been characterized by a palpable duality. Officially, it has been expressed as "freedom from alliances in peace aimed at neutrality during wartime" (Bjereld, Johansson, and Molin 2008). This policy made a formal association with either NATO or the EEC/EU impossible. At the same time, there was absolutely no doubt that, from an ideological standpoint, Sweden belonged to the Western camp — and not only ideologically. During the entire Cold War period, the Swedish military and NATO co-operated closely. Swedish and NATO air commands trained together; secure support roads and liaison routes were established; Swedish landing strips were lengthened to make them compatible with the requirements of NATO airplanes; and the air commands exchanged munitions. Furthermore, a far-reaching exchange of intelligence took place. For Swedish social democracy, this policy could still be accommodated within the framework of official doctrine. This was about a "reassurance policy" in case the neutrality policy was not respected. In actual fact, probably neither the United States nor the Soviet Union had any doubts as to where Sweden belonged: both sides used the designation "NATO's secret seventh member."

In the 1960s and 1970s, Swedish foreign policy became active,

in particular in regard to the Global South. Nothing symbolized this more than Olof Palme's criticism of the Vietnam War. Palme — and Sweden, for that matter — became an important dialogue partner for radical leaders in the South and a vital ally in the struggle for liberation from colonialism and the fight against apartheid. At the same time, Sweden functioned primarily as a bridge builder between North and South. In countries such as Portugal, the explicit objective of Sweden's engagement was to prevent altogether developments that were considered too radical. Nor did the secret military collaboration with NATO come to an end. Olof Palme gave explicit instructions to his generals to see to it that his intense criticism of the United States during the Vietnam War did not jeopardize this collaboration. The fall of the Berlin Wall and the end of the Cold War changed the conditions for Swedish foreign policy in many respects. Swedish freedom from alliances still exists, but it has become increasingly conventional. At the beginning of the twenty-first century, the social democratic government removed the neutrality objective from Sweden's security policy doctrine. Today, Sweden's collaboration with NATO is close and broad-based, and the country is an active member of the Partnership for Peace.

Swedish membership in the EU has been of crucial importance for the development of the country's foreign policy. In the fall of 1990, SAP Prime Minister Ingvar Carlsson stated that his ambition was for Sweden to join the European Community. Swedish neutrality was no longer an obstacle for such a course of action. In the fall of 1994, a referendum to join the European Community passed with a narrow majority — 52.3 percent. Even if Sweden is still not a member of NATO and has shown no interest in taking an active role in the EU's military collaboration, Swedish foreign policy has, in substance, adapted to that of Europe through the EU's joint foreign and security policies. In January 1992, at the same time as other EU members but contrary to the international criteria that had previously steered Sweden's policy regarding diplomatic recognition, Sweden recognized Slovenia and Croatia. The reason given was manifestly political:

Swedish recognition would, among other things, have "a positive influence on subsequent peace efforts in Yugoslavia" (Bjereld, Johansson, and Molin 2008). The independent Swedish voice in international assemblies has gradually been silenced. As recently as the 1980s, at meetings of the UN General Assembly, Sweden voted with the Global South as often as it did with Western countries on issues that divided these two blocs. At the beginning of the twenty-first century, however, the social democratic government did not support proposals from the Global South to the same extent, and in 86 percent of the cases, it supported the Western countries (Bjereld, Johansson, and Molin 2008).

Thus, Sweden was quick to recognize the breakup of Yugoslavia. The social democratic government also articulated its understanding regarding NATO's 1999 military intervention in the Kosovo conflict. Following 9/11, Sweden has also been a strong ally of the United States in the so-called war against terrorism. In the UN, the social democratic government gave its support to the United States's war in and bombing of Afghanistan and thereby to a different interpretation of the concept of "self-defence." Following initial hesitation, the government repudiated the occupation of Iraq by the United States and its allies without UN sanctions even though, during the build-up phase, Prime Minister Persson pointed out that "a successful, short, intensive war could influence the economic situation as positively as did the Gulf War in Kuwait" (Bjereld, Johansson, and Molin 2008). Swedish munitions were used by the US alliance, and soon Sweden was sending police forces to occupied Iraq.

Under the UN's command, Swedish soldiers also participate in the International Security Assistance Force in Afghanistan, as well as in the NATO Kosovo Force. Moreover, SAP foreign ministers and finance ministers have been active in enlisting Sweden in the war against terrorism by, for instance, pushing for the EU to tighten its anti-terrorism laws. In a noteworthy case, Sweden, in collaboration with the CIA, allowed the Americans to transport individuals from Sweden to Egypt, where they were tortured.

In addition, EU membership has served as an important lever for the normalization of Sweden's and social democracy's foreign policy. At the same time, EU membership has created huge disruptions within the SAP. In fact, a clear majority of party sympathizers voted against EU membership in 1994, and when the 2003 referendum overwhelmingly rejected Swedish acceptance of the euro, it was probably LO's members, most of whom are social democrats, who decided the matter. Concurrently, the party leadership has continued to actively seek closer co-operation with the EU. Since the Liberal and Conservative parties and, in particular, the Swedish business community have promoted collaboration with the EU, in Sweden the EU has often been made to appear as an elite project directed against ordinary citizens. Prime Minister Carlsson's appearance with Conservative leader Carl Bildt in the 2004 election campaign and the image of Foreign Minister Anna Lindh kissing Carl-Henric Svanberg, CEO of LM Ericsson, on the cheek during the 2003 euro campaign have come to symbolize this outlook.

As described above, Swedish social democracy has actively contributed to the use of the EU for economic reforms that move in a neoliberal direction. SAP leaders have also been powerful advocates of the rapid ratification of the Treaty of Lisbon and rejected all proposals to submit it to a referendum. Furthermore, the party has rejected demands from the trade union movement regarding union rights — for example, the validity of a collective agreement before it has been approved.

RADICAL SOCIAL DEMOCRACY: WHO CAN MAKE IT HAPPEN?

What are the requirements for a new, radical Swedish social democracy? To take this question to an extreme, one could claim that Swedish social democracy in the postwar period has had two allies: first, capitalism, which, in collaboration with a social democracy that was extremely friendly to business, made a contribution to the Fordist welfare state, and second, the social

movements that, sometimes allied with and sometimes opposed to the SAP, pushed for more radical policies. One must not underestimate the importance of the wildcat strikes of the 1970s and of the new social movements.

Today, capitalism is hardly striving for a welfare state, and many would claim that the social movements are not visible enough. The neoliberal breakthrough of the 1980s and 1990s coincided with a decline in the activities of the social movements following their robust growth in the 1960s and 1970s. The women's movement and, to a certain extent, the environmental movement pulled through the best. The women's movement successfully adapted itself to a network-oriented strategy. In particular, it found an important base in academia where, in recent decades, gender research has become one of its most vigorous research areas, and many researchers and students have also been activists for the cause. However, the feminist movement has also used its skills to influence public opinion and politics. Prior to the 1994 election, the threat to launch special women's lists played an important role in persuading the established political parties to increase female representation. At the beginning of the twenty-first century, most Swedish parties, including the SAP, declared themselves to be "feminist."

One important reason for this breakthrough also relates to a significant tradition within the Swedish women's movement: collaboration across class and party lines. In the matter of concrete issues such as violence against women, sexual exploitation, and increased female representation, for example, conservative women and Christian women have often been able to co-operate with radical feminists and socialists. The group Social Democratic Women in Sweden has frequently served as a bridge builder in such contexts. Sweden is not a gender-equal country. However, the main reason it always places at the top of the UN's rankings for equal opportunity has to do with the relative strength of the Swedish women's movement (Östberg 2005a). Prior to the 2006 election, several leading feminists attempted to launch a women's party under the leadership of the

Left Party's former chairperson, Gudrun Schyman. However, what came to be known as the Feminist Initiative was, at least at the onset, a failure. In terms of public opinion, the party was fighting an uphill battle, which may have also reflected some degree of social backlash against the feminist movement in general.

Parts of the environmental movement were institutionalized in the 1980s by the Green Party, which has been represented in Parliament since 1994. While it was possible to find echoes of a discussion between "fundamentalists" and "realists," the Swedish Green Party has, on the whole, adapted well to parliamentary work. In the early years of its existence, the Green Party refused to join any bloc even though it usually collaborated with the Left, but today it is part of an electoral pact with the SAP and the Left Party. At the same time, the party holds positions on privatization, labour laws, and support to small businesses that are closer to those of the Liberal and Conservative parties. A symbol-laden sign of the party's development is its recent reversal regarding Sweden's membership in the EU — from having opposed the membership on principle, it has moved to no longer demanding that Sweden withdraw from the union.

Other than this shift of the Green Party, opposition to the EU has served as a unifying, mobilizing factor on the Left. In both the referendum on EU membership in 1994 and the one on the euro in 2003, the representatives of different social movements collaborated with trade union activists and leftist sympathizers. The demonstrations at the EU summit in Göteborg in 2001 were among the biggest in recent decades, even though they left a bitter aftertaste because of the gunfire from the police, who nearly killed one of the participants, and the harsh prison sentences meted out to a number of demonstrators. It is obvious that leading social democrats — in particular, Minister of Justice Bodström — vigorously supported the repressive measures. The biggest mobilization in recent years was the demonstration protesting the war in Iraq, which brought together more than fifty thousand participants in Stockholm alone.

The emergence of the alternative globalization movement in the early 2000s heralded a revitalization of the social movements in Sweden, primarily among young people. Social forums still take place around the country on a regular basis. For a time, Attac also enjoyed a good deal of attention and support in Sweden. In contrast to earlier periods, collaboration of these new social movements with social democracy and the trade union movement has increased enormously. For example, LO has arranged special summer schools with Attac. Another expression of this new openness is the Socialist Forum, which ABF (the Workers' Educational Association) and LO arrange in co-operation with different leftist organizations (Sörbom and Abrahamsson 2004).

It may be difficult to envision some obvious, collective internal force that could take charge of revitalizing the radical movement in Sweden. Many social movements — including the environmental movement, the women's movement, the international solidarity movement, and movements that work against the deterioration of the welfare state — carry out important work but without a clear, common focus. The Left Party, whose youth league was an important radical force several years ago, expended considerable energy on taking seats in the 2010 election and therefore avoided taking any controversial stands vis-à-vis the SAP leadership.

Unlike the violent demonstrations that took place in many other countries, the protests against the consequences of the financial crisis have not been wide-ranging in Sweden in spite of the fact that large portions of the country's industry have been hit hard. More widespread protests have only come from the traditionally adversarial automobile and mine workers. Within the SAP, a growing awareness of the party's incapacity to draw upon new ideological approaches is perceptible. Groups of more radical young social democrats have begun to develop a more coherent critique of the party's right-wing leanings. One of their pamphlets has the very telling title "Soon We Will March Without You" (Lundberg and Suhonen 2009).

POSTSCRIPT: THE 2010 ELECTIONS

In an almost overly explicit way, the outcome of the Swedish parliamentary elections in September 2010 confirmed the general theses of this chapter. The elections resulted in a disaster for the SAP. In the 2006 election, the party had lost power for the first time since 1994 to the right-wing alliance under the leadership of the Moderate Party. Its vote sank to 35 percent, the lowest ever since the right to vote was won in 1921. In 2010 it sank by another 4 percent to 30.7 percent. The proposed left-wing coalition with the Left Party and the Greens failed to take power, receiving 43.6 percent of the vote compared to 49.3 percent for the right-wing alliance. The Left Party also experienced some losses while the Greens gained a couple of percentage points. The Moderates gained more than four percentage points and became almost as influential as the SAP, which generated a totally new situation in Sweden. The social democrats have definitely lost their hegemonic position in Swedish politics. Another spectacular outcome of the election was that Sverige-Demokraterna, a relatively new anti-immigrant populist party with roots in the racist movement, received 5.8 percent of the vote and twenty seats in Parliament. While this resulted in the right-wing government losing its majority, so far the government has received support from the new party on most sensitive votes. The close "red-green" co-operation was at least temporarily dissolved after the elections, and the Greens have shown an interest in reaching agreements with the government on some questions.

A discussion of the reasons for the social democratic failure started immediately. Some have claimed that many party members felt uncomfortable working with the old antagonists in the Left Party or with the Greens, who are often seen as anti-growth. Others point to the ability of the right-wing government to handle the economic crises and to the popularity of Prime Minister Reinfelt. This popularity is in sharp contrast to the half-hearted support that SAP leader Mona Sahlin received from her own party members.

A central theme in the election campaign was the fight to

win the middle class. It seems that the social democrats lost that fight and, at the same time, lost support from the working class. In 2002 almost 60 percent of the members in LO voted for the party, whereas in this election only 51 percent did. With reference to some of the central theses in this chapter, I suggest two other explanations. First, social democracy is no longer connected to a progressive reform policy aimed at building a strong public sector under democratic control. Today, its politics are influenced more by neoliberal ideas than by classical reformism. While the SAP was in power, this policy shift, which began in the 1990s, contributed to widening the social and economic cleavages in society. This makes the party less attractive for its traditional working-class supporters, while voters in the middle might prefer the original right to the pale copy from the left. Second, the movement that once simultaneously dominated important parts of Swedish civil society and governmental offices, central bureaucracy, and local political administration has faded away and lost substantial strength and influence. The program presented by the party in the 2010 election was not attractive enough to revitalize that movement.

In the wake of the election, SAP leader Mona Sahlin was pressed to resign. Because the new party leader, Håkan Juholt, was not recruited from the former top party leadership, many rank-and-file members thought he would be the man to take the party back to its roots. The policies pursued by the party's new leadership have, however, showed few signs of a leftward turn. Håkan Juholt's tenure as party leader was short and turbulent. Partly because of personal shortcomings, partly because of hostility on the part of the traditional central party hierarchy, and not least because the dominant right-wing daily newspapers launched an intensive media campaign against him, Juholt was forced to resign after less than ten months. He was replaced by Stefan Löfven, the chairman of the Metal Workers Union. Löfven soon declared his support for the party's move to the right, accepting the ongoing privatization and deregulation policies and the controversial tax reforms of the right-wing government.

THE SOCIAL DEMOCRATIC PARTY IN GERMANY

Caught Between the Fall of the Berlin Wall and the Rise of The Left

INGO SCHMIDT

The development of social democracy in Germany since 1989 can be understood as a series of hopes, disappointments, misunderstandings, and belated learning processes. In 1989 the Berlin Wall had just fallen and West Germany's Social Democrats were looking into the future with confidence. Though they were as confused as anyone else about the unexpected changes in the East, they were hoping to win the next federal election, scheduled for January 1991. During the late 1980s, increasing numbers of voters had become discontented with the conservative government of the CDU (Christlich Demokratische Union Deutschlands, or Christian Democratic Union) and the CSU (Christlich-Soziale Union in Bayern, or Christian Social Union), which was seen as unwilling or unable to allow the wealth of the upper classes to trickle down to ordinary people under conditions of robust economic growth. Consequently, polls showed a negative trend for the conservatives and a positive one for the Social Democratic Party of Germany (the Sozialdemokratische Partei Deutschlands, or SPD). However, the speedy accession of East Germany to West Germany's Federal Republic (FRG), which led to a federal election in the fall of 1990 that nobody had foreseen a year earlier, impaired the Social Democrats' electoral

prospects drastically. The unexpected disintegration of the state socialist German Democratic Republic (GDR) turned the political tides away from Social Democrats, whose unconditional commitment to the free world was mistrusted, and toward the conservatives and their unequivocal dedication to German unity under the auspices of private property, the European Single Market, and camaraderie with NATO. As a result, Social Democratic hopes for an election victory were disappointed.

The next to be disappointed were the people of East Germany. The industries that they had, at least nominally, owned under the state socialist regime were taken over by Western corporations and downsized, their jobs were cut, and the East German economy became dependent on a constant flow of fiscal transfers from West Germany. Disaffection with economic decline and the new domination by the West turned the Party of Democratic Socialism (PDS), the successor of GDR's ruling Socialist Unity Party (the Sozialistische Einheitspartei Deutschlands, or SED), into an important political factor in the East. All across the country, the short-lived euphoria about German unification was followed by growing discontent with neoliberalism, which was slowly but steadily fed by austerity policies and pressures to increase international competitiveness at the expense of wages, social spending, and working conditions.

What Marx ([1865] 1986c, 149) had denounced as a "conservative motto" in 1865 was still a widely shared consensus in the 1990s: "A fair day's wage for a fair day's work." When more and more people in East and West Germany felt that shareholders' profit claims and CEO's hiring practices denied them fair wages or access to a fair day's work, consent for economic and political conditions became weaker. However, far from following Marx's 1865 suggestion, the "abolition of the wages system," they turned to parties that promised social justice and employment. Those who were less dependent on the wage system because of their social status were also seeking electoral alternatives because the conservatives, who had been in power in (West) Germany since 1982, looked increasingly self-righteous, arrogant, and

disconnected from the new challenges of globalization. As a result, an alliance of Social Democrats and Greens — promising a new economy, ecological modernization, and a commitment to civil liberties — won a series of state elections and, eventually, the federal elections in 1998 (Handl and Jeffery 2001).

As it turned out, though, the rising tide of electoral support for the SPD was based on mutual misunderstandings between the party and its voters. The former, at least its dominant wing, thought it would lead the emancipation of its reluctant followers from the authoritarian rule of employers and welfare state managers to global civil society and a knowledge economy free from manual and alienated work (Zohlnhöfer 2004). Many among its voters, however, had a clear sense that access to this society might be limited to a happy few and therefore voted for the SPD, a party from which they were hoping to get more social security, justice, and job creation than from the conservatives. Not long after the 1998 elections, reservations about the promises of global prosperity outside the confinements of state intervention proved to be well founded in two respects. First, the NATO-led war against Yugoslavia in 1999 started a series of wars that clearly revealed the violent underpinnings of the new global economy, created a repressive political climate, and diverted resources from the welfare state to a war economy that had nothing to do with global civil society. Second, the economic crisis that ended the dot-com boom in 2001 prompted welfare state retrenchment on a scale unseen under conservative governments. Domestic attacks on the welfare state were even more unpopular than the foreign wars in Yugoslavia and Afghanistan. However, the buildup to the war on Iraq came with an explosion of anti-war sentiment. By expressing opposition to this war, Social Democratic chancellor Gerhard Schröder managed to garner at least enough sympathy to win a second term in 2002 (Maier and Rattinger 2004). He couldn't reverse the Social Democrats fortunes, though. Voters and members kept fleeing the party in droves. Early elections in 2005 resulted in the SPD becoming the junior partner in a government led by a conservative coalition of the CDU and the CSU

(Wüst and Roth 2006). Four years later, the Social Democratic vote dropped to its lowest level in postwar history, sending the party back to the opposition benches (Schmidt 2009a). An overview of German election history is provided in table 1.

TABLE 1 Election Results in (West) Germany

	SOCIAL DEMOCRATS (SPD)	PDS/THE LEFT	GREENS	LIBERALS (FDP)	CONSERVATIVES (CDU/CSU)	OTHERS
1949	29.2	–	–	11.9	31.0	27.9
1953	28.2	–	–	9.5	45.2	16.5
1957	31.8	–	–	7.7	50.2	10.3
1961	36.2	–	–	12.8	45.3	5.7
1965	39.3	–	–	9.5	47.3	3.6
1969	42.7	–	–	5.8	46.1	5.4
1972	45.8	–	–	8.4	44.9	0.9
1976	42.6	–	–	7.9	48.6	0.9
1980	42.9	–	1.5	10.6	44.5	0.5
1983	38.2	–	5.6	6.9	48.8	0.5
1987	37.0	–	8.3	9.1	44.3	1.3
1990	33.5	2.4	5.0	11.0	43.8	4.3
1994	36.4	4.4	7.3	6.9	41.4	3.6
1998	40.9	5.1	6.7	6.2	35.1	6.0
2002	38.5	4.0	8.6	7.4	38.5	3.0
2005	34.2	8.7	8.1	9.8	35.2	4.0
2009	23.0	11.9	10.7	14.6	33.8	6.0
May 2010 (Polls)	28.0	11.0	17.0	7.0	32.0	5.0
May 2011 (Polls)	26.0	8.0	22.0	5.0	33.0	6.0

NOTE: Results for the years from 1949 to 1987 are for West Germany; those for 1990 onward are for Germany including the former German Democratic Republic.

This low point for German social democracy was not the only remarkable aspect of the 2009 election; the other was that it was held during the deepest economic crisis since the 1930s. The Social Democratic comeback in the 1990s had happened at a time when neoliberal globalization seemed unstoppable, and consequently, SPD leaders saw the abandonment of any commitment to the Keynesian welfare state as a necessary adjustment of their politics to new economic and social realities. This adjustment caused disappointment among voters when Social Democrats applied their Third Way policies as governing party in the early 2000s. Yet, the financial and economic crises in 2008–9 were so deep that everything that had been considered a new and unchangeable reality a decade earlier was called into question. What began as a housing crisis in the United States in 2007 turned into financial panic and a global economic downturn in 2008–9; it eventually became a veritable crisis of neoliberalism, which created rather unexpected opportunities for new political projects. This includes the possibility for Social Democratic reorientation although neither the contours nor the direction of a social democracy after the Third Way are apparent at this point.

Social Democrats learned the hard way that their electoral success in the 1990s was not built on the unstoppable rise of new middle-class constituencies bred by a global knowledge society but, to a large extent, on a still-existing taste for the welfare state among working-class voters. These voters, in turn, being more dependent on the welfare state than others, had to learn that social democracy had ceased to be a vehicle to satisfy such tastes. The welfare state wing of the SPD, which was increasingly marginalized inside the party despite having mobilized significant numbers of voters for the 1998 election, eventually lost many of its members to the newly formed Electoral Alternative Work and Social Justice (Wahlalternative Arbeit und Soziale Gerechtigkeit, or WASG), which in 2007 joined forces with the Party of Democratic Socialism (Partei des Demokratischen Sozialismus) to become The Left (Die Linke) (Nachtwey and Spier 2007). Though this party caters to working-class voters, it is far from

being a working-class party. Increasing numbers of the working class abstain from voting, while many others cling, usually without much conviction, to the SPD or even the conservative CDU. Under conditions of economic crisis or slow growth, the SPD leadership and many of its cadres abandoned the welfare state and thus furthered a lingering crisis of representation of working-class interests. The foundation of The Left is certainly a contribution to the rearticulation of such interests and, as such, part of a learning process that seeks to solve this crisis of working-class politics (Schmidt 2005, 2007). Recent crises of the world economy and neoliberal politics, though, have already shown what a difficult process this is. Hopes that The Left would be the beneficiary of these crises, attracting everybody discontented with the other parties' embrace of neoliberalism, were quickly disappointed. Under the reign of neoliberalism, The Left was able to attract people who were opposed to it, but now that this hegemonic political project is itself in crisis and no longer functions as a negative point of reference. Ironically, even The Left, as the one party in the German electoral system that defined itself in opposition to neoliberalism, has to reorient itself during the current crisis of neoliberalism (Schmidt 2009c).

GERMAN UNITY: SOCIAL DEMOCRATIC HOPES DASHED

The late 1980s were a good time for West Germany's SPD. Long-lasting conflicts between a corporatist bloc made up of industrialists and organized labour and the agendas of new social movements, which had been influencing electoral politics since the Greens began competing for voters in the early 1980s, were pushed into the background. A new balance among work, life outside the workplace, and nature gave the impression that the Social Democrats were more modern than the conservatives and, unlike the Greens, not focused on a rather narrow set of ecological and libertarian issues. Moreover, a renewed commitment to policies of détente seemed a better fit for Gorbachev's

Soviet Union than the Cold War policies and attitudes that so deeply penetrated the conservative CDU. As a result, polls indicated that the SPD had been able to turn around its downward trend, which had seen the party go from an all-time high of 45.8 percent of the total vote in 1972 to 37 percent in 1987. The party seemed to have a good chance of forming a coalition government with the next election.

Meanwhile, the winds of *perestroika* and *glasnost* blew away the fear of a military confrontation between the Eastern and Western blocs. In the early 1980s, when the Second Cold War started, such fears were running high and brought hundreds of thousands of peace protestors to the streets. Nobody expected the Eastern or Western blocs to disappear any time soon. Even staunch anti-communists saw the Soviet Empire as a necessary evil. When the unthinkable implosion of the Eastern bloc happened, many hoped that the domestic policy menu would become more versatile. Freed from real or perceived burdens of the Cold War, pressures on domestic welfare systems, wages, and working conditions might loosen and even leave room to live the post-materialist values that figured so prominently in some middle-class milieus. The Greens and Social Democrats were all too willing to lend their voices to such widespread hopes and desires.

However, the moment of hope for a peaceful, socially just, and ecologically sustainable future didn't last long. When the breakup of Eastern state socialism accelerated, the political tide turned to nationalist sentiment and power politics (Jarausch and Gransow 1994, chap. 4). Initially, East Germans were just enjoying the newly gained freedom to go west, but very quickly, they discovered that access to Western consumer capitalism required hard currency, which East German jobs didn't pay. This was the conservatives' chance to suggest, instead of a democratization of East German socialism, the accession of the GDR to the FRG. Deftly, the conservatives promoted the idea that monetary union with and accession to the FRG were easily surmountable hurdles on the way to an Eastern economic miracle (Dale 2006; Jarausch

1994; Kuechler 1992). All of a sudden, the Social Democrats had to react to expectations that didn't revolve around welfare state protection and post-materialist values but, once again, around fair wages for a fair day's work, upgraded with Western norms of consumption. Eastern euphoria about the coming economic miracle spilled over to the West; West Germans showed their hard-earned accomplishments with pride to East Germans, who still had ahead of them the work-filled road to the mature stage of mass consumption.

Social Democrats found it hard to grapple with this unexpected zeitgeist change. The carefully crafted consensus between welfare-state and post-materialist agendas fell apart, and the general plea for policies of détente and multilateralism as opposed to power politics and bloc confrontation lost much of its relevance in the face of the swift dissolution of the Cold War order, or so it seemed to many. Instead of pursuing one common set of policies, the SPD was pulled in different directions (Chatzoudis 2005). Its frontrunner, Oskar Lafontaine, warned that the East German economy would collapse under the competitive pressure of premature economic integration with West Germany, one of the world's leading export nations. He also expressed concern over rising nationalist sentiments in the process of German unification (Grebing 2007, 228–32). Soon, both warnings turned out to be well founded. The East German economy collapsed in the first years after unification and could only revive as a dependent annex to the West German economy (Hickel and Priewe 1994). At the same time, a wave of racist violence and electoral success for far-right parties swept across the whole country (Lewis 1996). During the euphoria over unification that had followed the opening of the Berlin Wall, warnings about economic crisis and a resurgence of nationalism had mostly been seen as misplaced quibbling. In those days, Willy Brandt, honorary leader of the SPD and former chancellor of West Germany, had been much more in line with mass sentiments than with the candidate for chancellor, Lafontaine. Like the incumbent conservative chancellor Helmut Kohl, Brandt had

denounced Lafontaine's warnings of economic decline and the dangers of nationalism as petty-minded and an inappropriate lack of national pride (Walter 2002, 224). Torn apart over the question of German unity and running a top candidate who was widely out of touch with the "Let's go, Germany!" mood of a majority of voters, the SPD lost the 1990 election. Instead of reversing their long-lasting downward trend, the Social Democrats scored another low with only 33.5 percent of the total vote.

Particularly disappointing for the SPD were the results in East Germany, where people voted for the FRG's Parliament for the first time. Historically, East Germany had been one of social democracy's heartlands. It was there that the famous Eisenach, Gotha, and Erfurt programs, which were a source of inspiration and leadership for socialists in many other countries during the time of the Second International, had been discussed and passed (see Dowe and Klotzbach 1990, chaps. 9–11). The industrial districts around Berlin, Dresden, and Leipzig had been some of the organizational centres of the party from its early days until the Nazis took power in 1933 (Ritter 1990). Yet after twelve years of Nazi dictatorship and forty years of state socialism, East Germans, and the blue-collar working class in particular, shied away from what they saw as social democratic strangers. Social democratic milieus that had developed over decades in the nineteenth century couldn't simply be revived after brutal suppression under the Nazis and partial integration into the state apparatus of socialist GDR.

Thus, one reason for the SPD's electoral defeat in the East was the demise of social democratic milieus and affiliations. Another reason was the reservations about German unity that were expressed by some Western Social Democrats, including their frontrunner, Lafontaine. To many East Germans, these reservations, coming from Westerners, smacked of arrogance and resentment. A third reason was the SPD's organizational weakness in East Germany. In the fall of 1989, a new Social Democratic Party of the FRG was founded from scratch (Grebing 2007, 233–37; Grof 1996). It lacked a membership and activist base

as much as it lacked a strategy to manoeuvre through the muddy waters of German unification. Joining the West German SPD in September 1990 (SPD Vorstand 1990), only three months prior to the election, opened access to resources but couldn't fix the problem of the lack of strategy and activists in the East. While the Social Democrats were anxious not to engage with any of the parties or institutions of the GDR, which they considered totalitarian, the West German CDU proved to be much more flexible. During the Cold War, the conservatives had always suspected the SPD to be Moscow's or East Berlin's fifth column. However, West German conservatives' professed anti-communism did not prevent them from uniting in 1990 with the East German CDU, which had supported the GDR regime as a member of the National Front for decades. Such a move improved the conservatives' electoral outlook as they immediately obtained some organizational capacity in the East. A fourth reason for the SPD's electoral defeat in 1990 was an unexpected long-term effect of the policies of détente toward the East (Hofmann 2009). These policies were very popular in the 1970s when they facilitated travel between the GDR and the FRG, but after the fall of the Berlin Wall, a fair number of East Germans saw them as a sign of complicity with the hated SED (Socialist Unity Party) regime. Such allegations hurt Social Democrats badly because most of them had built the policy of détente on a rock-solid basis of anti-communism and with the intent to corrode state socialism through co-operation with the capitalist West. Yet hurt feelings don't win elections.

The SPD's inability to attract more voters in East Germany was even more painful because the PDS attracted 11.1 percent of the East German vote from those who were against the winds of anti-communism that were blowing strong in 1990. Much support for the PDS came from a cadre of the GDR's decaying state apparatus who understood that the transition to capitalism meant the loss of jobs and social status for most of them. However, hardly any East German workers, who at that time still thought unemployment was just a spectre used by SED propagandists to denounce Western capitalism, voted for the PDS. If

any party could claim to be a workers' party in East Germany in 1990, it was the CDU. Ironic though it may seem, 50 percent of East German workers (compared with only 42 percent of East Germany's total electorate) voted for the CDU, a party that socialists in both the East and West have typically characterized as representing monopoly capital and political reaction. These election results illustrate that a problem that had developed slowly in West Germany's SPD, a growing disconnect from its original working-class base, plagued East Germany's PDS right from the start. In addition, while significant currents in the SPD still sought to cater to working-class constituencies in the early 1990s, particularly through links with organized labour (Engholm 1991), links between unions and the PDS were all but absent at that time. West German unions, which were linked to the SPD for more than a century, had just taken over the unions of former GDR and were seen by many East Germans as another Western intrusion in the East, where the PDS had its social base (Arbeiterpolitik 1990; Bormann 1991).

Neither the PDS nor the SPD, let alone a coalition of the two, was able to create a progressive political project by merging discontent with state socialism in the East, discontent with neoliberal capitalism in the West, and uncertainty over future political and economic developments in the face of the crumbling GDR regime. Instead, the conservative CDU seized the opportunity to turn different kinds of social discontent into a widely shared feeling of national community and euphoria about the prosperity to come. This conservative moment set the stage on which SPD and PDS had to find their roles over the next years.

IN THE SHADOW OF CONSERVATISM, 1990–97

After the election in December 1990, the conservative CDU/CSU formed a government with the much smaller liberal Free Democratic Party. The coalition government's main foreign policy goal was to increase its leverage in international affairs without alienating its Western allies (Webber 2001). But the government

also showed its increased will and capacity to pursue its own interests. Much to the dismay of the British and French governments, the Germans unilaterally recognized independence of Slovenia and Croatia. At the same time, they showed their continuing commitment to the Western allies by supporting the US-led war against Iraq in 1990/91. The same dual strategy was applied to the EU. On the one hand, the German government was willing to reconfirm its commitment to the EU by accepting a common currency, which implied giving up the much-vaunted Deutschmark. On the other hand, it pushed policy guidelines through EU negotiations that made the Maastricht Treaty, the roadmap to European Monetary Union, look like a European version of the hardline monetarism pursued for many years in the past by the German Bundesbank (Parsons 2003, chap. 7). The Germans, expecting to be the first to conquer new markets, also pushed for the EU membership of Eastern European countries and accepted the eastward expansion of NATO, a primary goal of the Americans (Fierke and Wiener 1999).

In the same way that the German government sought more influence in foreign policies while maintaining long-established partnerships, Germany's capitalist class was looking for ways to expand its power over its domestic working class without confronting organized labour head-on (Thelen 2000). Chances for success were good because the introduction of the Deutschmark in the East in 1990 didn't take into account West Germany's superior productivity, which was estimated to be four times higher than that of East Germany. As a result, after German monetary union, products from the East were much more expensive than Western imports and were widely seen as inferior in quality. Rapid deindustrialization sent unemployment rates in East Germany from zero in 1990 (under state-socialism, full employment had been the norm) to 10.3 percent a year later and to a peak of 21 percent in 1998. With unemployment in the East being twice as high as in the West and with union memberships dwindling rapidly in the East and more slowly in the West (Schnabel and Wagner 2003), employers were able to negotiate a two-tier wage

system (Arbeiterpolitik 1993). This was a breakthrough in the sectoral bargaining patterns, which had secured more or less equal minimum standards within industries throughout the history of West Germany. Now, employers would use lower wages in East Germany, combined with the threat of abandoning sectoral bargaining completely, as a lever in collective bargaining in the West.

Contract negotiations between employers and unions were not the only field in which workers East and West were pitted against each other in a Germany that was united on capitalist terms. Another such area was benefits. In 1993 the so-called unification boom, largely triggered by German monetary union and one-time government spending, ended in a severe recession. This was followed by rising unemployment in East and West, and mediocre growth. Consequently, decreasing revenues and increased spending of unemployment benefits put pressure on the welfare state (Hefeker and Wunner 2003). The policy straitjacket of the Maastricht Treaty aggravated the ensuing fiscal crisis. Fiscal transfers from the West were necessary to balance the higher-than-average unemployment and lower wages in the East. These uneven economic conditions were regularly used by West German politicians to grumble about the fiscal drain to the East, while East German politicians complained about Western arrogance, dominance, and even colonization.

SOCIAL DEMOCRATIC PROMISES: GLOBALIZATION WITH A SOCIAL AND ECOLOGICAL FACE

The CDU had clearly taken a lead in pushing for unification, designing domestic policies, and redefining Germany's role in international affairs. The SPD followed this lead: reluctantly and with the right amount of reservations to keep them distinguishable from conservatives, Social Democrats accepted the German and European monetary unions, the prospect of the Eastern enlargements of EU and NATO, and the possibility that

German troops would engage in out-of-area missions under a UN mandate (Dauderstädt 1997; SPD 1991, 1992; SPD Parteitag 1993).

The SPD was well known for endless internal debates. The impression those controversies left on the public was that of a "talk shop" rather than of a party relentlessly hammering out political alternatives. The best one could expect from the many different views and currents within the party was that one of the suggested strategies might, at some point, match the political and economic conditions outside the party. The SPD's rather passive and observant posture both reflected and reinforced the subordinate role of social democracy in Germany's political system since the late nineteenth century (Klönne 1989, chap. 6; Luthardt 1978; Pirker 1965). In the FRG, the conservative CDU was often seen as the natural ruling party and the Social Democrats as the natural opposition. Arguably, this widespread public perception was also, at least to some extent, internalized by many SPD members, functionaries, and leaders.

It is a long-standing tradition within the SPD to expect a broadening of its electoral base from social changes and economic growth rather than from political mobilization. Attempts to mobilize its followers beyond the ballot box have been decried as voluntarism ever since Rosa Luxemburg advocated for mass strikes in the late nineteenth century. Patient organizing has been seen as preparation for the moment in which the winds of change would blow favourably in social democracy's direction. And this is exactly what eventually happened. The recession in 1993 finished off the euphoria of German unity. Disappointment with the economic miracle that hadn't materialized, actual or feared job losses, pressure on wages and benefits, and rising taxes for decreasing government services all served to diminish the conservative vote. Moreover, after the SPD won state elections in Lower Saxony in 1990 and Saxony-Anhalt in 1994, the conservatives and their liberal allies lost their majority in the Federal Assembly, which represents the states of the FRG on the federal level. Although Social Democrats and conservatives didn't have major differences, the federal government, led by

the conservatives, and the Federal Assembly, now dominated by Social Democrats, ended up in a stalemate. The blame for this political deadlock was mostly laid at the CDU's door. Rather suddenly, the conservatives didn't look like the guarantors of stability and reliability, one of their main selling points in the past, but like a party paralyzed by its arrogance of power and an apparent inability to adjust to the challenges of globalization.

The vague term *globalization* had become the major point of reference for political debates in the 1990s. The Social Democrats briskly presented themselves, just as the Clinton Democrats had done in the US, as moderators of globalization. The SPD promised support of world market access to the business community and protection from unfettered market competition to unions and working-class voters. These rather different, if not antagonistic, promises were packaged and sold as "The New Middle" (Hombach 1998), a notion that was clearly an adaptation of Tony Blair's Third Way (Unger, Wehr, and Schönwälder 1998). It catered to professional middle classes directly and presented them as the productive core of the economy, driven neither by unrestrained greed, like the messengers of shareholder capitalism, nor by an outdated sense of entitlement that, supposedly, was still prevalent among the clientele of the old, redistributive welfare state. As an alternative to greed at the top and passivity at the bottom of society, the SPD promised to activate all available human resources for the battle for world market share. Anticipating that many potential voters would fearfully ask themselves whether they would qualify for this competitive race, the Social Democrats also promised to transform the redistributive and costly welfare state of the past into a more efficient European Social Model (SPD 1998).

These ideas weren't completely new. Export-led growth had been accepted as the key to welfare state development since the SPD had turned from reformist socialism to welfare capitalism in the 1950s. The disillusionment after the euphoria about German unification, inextricably linked to the CDU, just gave the SPD the opportunity to present itself as the better agent of both world

market success and moderation of social inequality resulting from such success. To do so, and to win back working-class voters whose abstention from the Social Democrats was the key factor for the conservative victories in 1990 and 1994, the old friendship with organized labour was reactivated.

In 1995 the leader of the metal workers' union (IG Metall), Klaus Zwickel, suggested the formation of a Coalition for Jobs to the re-elected conservative government and employers' associations (Arbeiterpolitik 1996a). His idea was to trade wage moderation for job creation. Critics within the union movement said this proposal would confirm the employers' argument that the only way to higher employment would be through wage constraint. Therefore, the Coalition for Jobs could easily undermine the unions' bargaining power. Whatever unionists had to say about Zwickel's suggestions, employers at that time considered unions weak enough to pursue their own agenda without the need for a corporatist deal. In unison with the government, they declined Zwickel's proposal. In return, they declared the days of social consensus over. This harsh rejection of long-established corporatist arrangements between organized labour and capital rang the alarm bells in union halls across the country. In the summer of 1996, the Confederation of German Trade Unions (DGB) mobilized 300,000 workers to protest against the conservative government, their anti-union agenda, and their corporate friends (Arbeiterpolitik 1996b). Shortly thereafter, and obviously out of touch with widely shared sentiments among working people, the government announced drastic cuts in sick pay. These plans were quickly withdrawn when thousands of metal workers spontaneously struck against such ideas. The next year saw miners in militant protest against layoffs (Arbeiterpolitik 1997). Such labour activism was just the visible expression of a groundswell of discontent and a desire for political change. It was more this atmosphere than the catchy "New Middle" slogans that earned the social democrats 40.9 percent of the total vote in 1998 and allowed them to form a government with the Greens, who won 6.7 percent of the vote (Walter 2002, 247–49).

THE PDS: IDEOLOGICAL DIVERSITY IN EAST GERMANY'S PEOPLE'S PARTY

The SPD was not the only party benefiting from rising discontent with the conservatives, and the 1994 election in Saxony-Anhalt was not just a turning point toward a Social Democratic revival. The PDS support for a minority SPD government in that state also marked the PDS's consolidation as a permanent factor in East German politics. Compared to the federal election in 1990, when the PDS was almost unanimously labelled as an untouchable offspring of the SED, this was quite a remarkable change. However, the party's consolidation in the East went hand in hand with its continuing marginalization in the West. The majority of West German workers, employed or unemployed, either stuck with the SPD or, if they were dissatisfied with them, abstained from elections. Voting for the PDS was simply not considered an option. This was even truer for working-class constituencies in the West who had religious ties to the conservatives.

Repeated attempts by the PDS to gain ground in West Germany therefore failed, and the PDS remained a regional party in the East. There it developed a multitude of programmatic currents, from Soviet-style communists to social liberals, and single-issue networks. These postmodern worlds of discourse, more diverse than anything the thoroughly argumentative SPD had ever seen and in starkest contrast to the monolithic SED, were loosely wrapped around a core of representatives in parliaments and governments on the municipal, county, and state levels. These representatives were, and still are, more committed to the pragmatic administration of various state apparatuses than to programmatic debate. Of course, their access to state resources makes this pragmatism a powerful factor within the party. Nominations for positions in the party or institutions of the state are often decided in favour of self-styled men and women of action who, revealingly enough, can easily outtalk theoreticians of all sorts. The inconsistencies between various programmatic circles within the PDS and the widely shared weakness of those circles in comparison to the pragmatists, with their affiliations to

the state, correspond with the East's subordinate role in united Germany.

Rapid deindustrialization and skyrocketing unemployment since 1990 has triggered a net flow of fiscal transfers from West to East (Sell, Greiner, and Maab 1999), which was necessary to pay for unemployment benefits, public works programs, and pensions in a region where tax revenue was permanently depressed by economic decline. Further transfers were needed for public infrastructure investments that were meant to create local centres of accumulation, without much success, and to attract foreign direct investments, with slightly better success (Günther and Gebhardt 2005). The economic result was continuing dependence on and domination by West German corporations and taxpayers; these results were mirrored by an inferior role for East German companies and trade union branches. Not surprisingly, therefore, a feeling of Western domination that was shared by many East Germans from different social backgrounds overlaid the formation and representation of working and capitalist classes in the East.

The state played as big a role in East Germany as the conflicts between organized workers and capitalists because it guaranteed and managed substantial inflows of money. At its peak, one-third of incomes earned in the East were generated in and funnelled from the West. Thus, a redistributive Keynesianism developed between East and West Germany that helped to stabilize the East economically and socially (Schmidt 2007). However, Keynes's idea of jump-starting private investment with public money didn't work because the terms of German unification had turned East Germany into a wasteland in which private investment was permanently constrained by overcapacities elsewhere. Under these conditions, the PDS was, no matter how many versions of socialism were discussed in its ranks, more an East German peoples' party than a socialist organization. As a regional party, it never gained ground in the West. It was only after the SPD lost much of its welfare state wing because of the way it handled the economic stagnation from 2001 to 2005 that

a political organization, the WASG, developed in the West with which the PDS could co-operate.

THE REDDISH DECADE: WAR AND AUSTERITY UNDER SPD LEADERSHIP, 1998–2009

The SPD's 1998 election victory was largely based on voters' discontent with a conservative government that was increasingly seen as disconnected from the problems and aspirations of wide layers in German society, unable to create enough jobs, and unwilling to provide social protection against the rigours of world market pressures. Suddenly, notions of globalization — which had in the past been created and successfully used by capitalists and their political allies to push through layoffs, wage cuts, and welfare state retrenchment — produced unintended side effects. Increasing numbers of people turned against globalization and the policies that were associated with it. Instead of accepting further welfare state retrenchment, they asked for protection against world market pressures in general and for employment policies and protection of jobs more specifically. The conservatives had nothing to offer to match these popular demands, but the Social Democrats did. They offered global governance and a European Social Model where political regulations on the global and European levels were meant to tame unfettered world markets and also to create a framework to balance efficiency and equality. The stage to implement such regulations was already set by centre-left governments in other EU countries and in the United States. Together with his political allies Tony Blair, Bill Clinton, Lionel Jospin, and Romano Prodi, newly elected Chancellor Schröder would be strong enough to tighten strings on internationally mobile capital, or so it seemed (Paterson and Sloam 2006).

However, the idea that after a decade-long transition period of conservative rule, a global compact between classes and countries would finally supersede Cold War power politics (SPD Grundwertekommission 2000; Held 2004) was soon to be challenged by the centre-left US government. Clinton advanced a

purely neoliberal design of the World Trade Organization (WTO) against the protests of unions in the US and other countries who were advocating for the adoption of labour standards in the WTO agreements. He also pushed, against initial reservations of some of his NATO partners and without a UN mandate, for a war against Yugoslavia. Now it turned out that significant forces within the SPD and the Greens, who together formed the German government in the fall of 1998, were more than willing, against internal party opposition, to join the US's new imperialism. Moreover, rifts over the balance between welfare state and export promotion, carefully plastered over during the election campaign, resurfaced soon after the election. After the dot-com boom turned bust in 2001, this question became a turning point for the SPD. The business-oriented wing of the party sidelined the Keynesian-minded welfare state wing. The long-standing, and not always peaceful, coexistence between both wings ended. Attempts to balance the imperatives of capital accumulation and the interests of the working class, particularly its unionized segments, were replaced by a strategy to use corporatism and a downsized welfare state as tools to improve international competitiveness. During the election campaign, the SPD's two frontrunners — the designated chancellor, Schröder, and the designated minister of Finance and Economics, Lafontaine — symbolized the delicate balance between the welfare state and the business wing of the party. After the inauguration of the new government, Lafontaine clashed with Schröder and the Greens because he was unwilling to lower corporate taxes. After he urged the European Central Bank, which is always ready to aggressively defend its autonomy, to lower interest rates and also advocated for tighter regulations of financial markets, the British tabloid *The Sun* denounced him as "the most dangerous man in Europe." On 11 March 1999, only five months into his term but just before the NATO bombing of Yugoslavia began on 24 March, Lafontaine resigned (Lafontaine 2000, 147–59; Schröder 2007, 107–29). The doors to the Third Way and "humanitarian" intervention were open.

Several factors contributed to this rapid transformation of the SPD after it became the governing party of Germany in the late 1990s. First, the Greens, notwithstanding their roots in the New Left activism of the 1970s, had developed into a party of middle-class professionals with hardly any ties to the labour movement. Their libertarianism was blended with neoliberal economic policies. Thus, instead of helping to modernize the welfare state agenda, as the original architects of the "red-green" alliance had hoped, the Greens pulled the SPD toward fiscal austerity and lower labour standards (Wolf 2007).

Second, the heads of centre-left governments in other countries were as firmly committed as Schröder to Third Way politics at home and humanitarian intervention abroad and were equally willing to confront the welfare state wings within their respective parties or coalitions. In fact, Romano Prodi lost his majority in the Italian Parliament in October 1998 — ironically, the month Schröder was inaugurated in Berlin — because he had unapologetically pushed fiscal austerity to comply with the Maastricht rules for European Monetary Union (Unger 2001). In another irony, Prodi was then elected president of the European Commission on the first day of the war against Yugoslavia. He effectively used this new position to enforce the Maastricht's monetarist guidelines all across the EU. Schröder, together with his British colleague Blair, prominently committed himself to this new course in a declaration that was soon known as the "Schröder-Blair paper" (Schröder and Blair 1999). Only Jospin in France tried to keep the balance between welfare state and neoliberal agendas. On the one hand, he introduced a reduced work week of thirty-five hours; on the other hand, he pushed privatization like none of his conservative predecessors had done. These latter measures were enough, though, to lose his governing majority after one term in office and also to suffer a crushing defeat in the presidential elections of 2002 (Budgen 2002).

Third, spurred by the hope for change that had developed prior to the 1998 election, union members in Germany were keen on making up for years of real wage stagnation and even losses.

An economic boom that had swelled corporate earnings but hadn't trickled down into pay cheques fuelled such aspirations even further. Under pressure from members' high expectations, union leaders negotiated wage increases exceeding, for the first time in years, inflation plus productivity growth. Corporate leaders, quite correctly, sensed that this bargaining outcome had become possible because the rank-and-file pressure within the unions was supported by the government Keynesians around Lafontaine. Real wage increases, to match productivity increases over the medium term, were a key plank of their economic plan. Such ideas, no matter how carefully couched in New Economy and globalization rhetoric, were clearly at odds with accumulation strategies that essentially aimed at higher profits at the expense of wages. Already annoyed with Lafontaine's reservations about corporate tax cuts, his seemingly detrimental effect on wage bargaining was the last straw before the business community pushed massively against him.

The Third Way SPD that came out of the factional battle with its Keynesian welfare state wing enjoyed a short period of grace between 1999 and 2001. Though the war against Yugoslavia wasn't very popular, opposition against it was fairly moderate, especially when compared with the mass protests against the Iraq war in 2003. Thus, the government could concentrate on its economic agenda: tax breaks for corporations and private wealth, along with fiscal austerity, to stimulate private investment; flexibilization of labour markets to create jobs, particularly in the low-wage sector; and first steps to replace pay-as-you-go pensions with private pension funds. The test for the German version of the New Economy came in 2001, when the turn of an ordinary business cycle from boom to bust, which New Economy experts had declared impossible, led to a stock market crash, revealing the whole dot-com, IT economy as a speculative bubble rather than an accelerator of productivity growth.

The economy in the US, home of the New Economy, overcame the crash quickly and didn't suffer much from the stock market crash. This recovery became possible because the government

and central bank in Washington injected some real money into the economy and also helped to bloat another speculative bubble to fire up wealth holders' propensities to invest and consume. This didn't work in Germany. The statute of the European Central Bank and the fiscal policy guidelines of the Maastricht Treaty, whose extension into the Stability and Growth Pact in 1997 the SPD had supported, put the brakes on any kind of expansionary policies. Third Way Social Democrats, just freed of their Keynesian companions, remained true to their monetarist principles. They were backed by capitalists who used investment restraint and subsequent increases in unemployment to scale up pressure on wages and welfare provisions. Just as the conservative government had done so many times in the past, the "red-green" coalition reacted to such pressures with spending cuts. As a consequence, working-class voters, who had been crucial to win the election in 1998, exited from Germany's Third Way project. Schröder was therefore in serious doubt about his re-election when George Bush, unexpectedly and unintentionally, saved him. While the latter put a coalition together that was willing to topple the former US ally Saddam Hussein, the former showed a keen sense for rapidly spreading anti-war sentiment in Germany. Without considering troop withdrawal from Afghanistan or the denial of logistical support for the anti-Hussein forces, he announced that Germany wouldn't send combat troops to Iraq. This move gained him enough popularity to win a razor-thin majority, again in alliance with the Greens, in 2002. However, disappointment among core constituencies didn't stop him and his government from continuing their unpopular policy of welfare state retrenchment. Quite to the contrary, in March 2003 another round of spending cuts and structural changes to the German welfare state was announced (Schröder 2003).

Whereas the conservatives never moved beyond the rollback of social standards within a largely unchanged institutional setting, the Social Democrats now proved themselves to be dedicated counter-reformists. They broke the links among work, wages, and unemployment benefits, which had been a

cornerstone of Germany's welfare state. The role of the welfare state as an automatic stabilizer of aggregate demand was in fact considered to be just a secondary factor by Third Way social democracy. Primacy was given to the redefinition of the productivist consensus around which the German welfare state was built right from its beginnings in the late nineteenth century. According to this view, workers who had worked hard in the past and were not accountable for the loss of their jobs were entitled to unemployment benefits calculated on their previous pay if they demonstrated their willingness to work. In future, the Schröder government told them, the eligibility period for this kind of benefit would be reduced from two years to one. Also, the reduced benefits for which people were eligible after two years of unemployment and that still had been linked to previous pay were to be replaced by welfare cheques at a subsistence level calculated by the government after only one year. Because fear of job loss was running high, Germany in 2003 was already in its third year of crisis and unemployment rates were increasing, workers beyond the ranks of the unemployed felt that this measure could have a severe negative impact on their lives. Resentment against the Social Democratic government, which was spreading, turned into mass protest and triggered further losses of members and voters.

Schröder — proving again, as he had before the 2002 elections, that his skill in employing smart tactics was better than his capability for pursuing winning, long-term strategies — understood that the SPD was destined for a crushing defeat if approval rates continued to fall steadily until the next regular elections in 2006. Because he had no idea how to turn this downward trend around and was unwilling to give up his unpopular policies, he decided to minimize the loss of votes by calling an early election in 2005. This move was at least sufficient to avoid a remake of a coalition between the conservatives (the CDU) and the liberals (the FDP); it saved a junior role in a CDU-led government for the Social Democrats (Hillebrand 2005).

The loss of the chancellorship was not the only price the SPD

paid for its abandonment of redistributive social policies and its reorientation toward Third Way–inspired austerity. The other was that membership losses, which had begun in earnest in the early 1990s and weren't even stopped by the rise in electoral approval ratings leading up to the 1998 election victory, took a more organized form when mass protests against government policies began. Social Democrats who were committed to the Keynesian welfare state began to organize, first on a local basis and eventually in the WASG. This organization, instead of turning into an independent party running in elections, joined forces with the PDS in 2007 and formed The Left. Thus, the Social Democrats' former welfare state wing found a new home, the PDS had a chance to reach out into the West, and the SPD, which had never been seriously challenged from the left during its postwar history, eventually found itself confronting a left-wing competitor.

THE LEFT: NOT A WORKING-CLASS PARTY

After the PDS consolidated itself in East German state, county, and municipal parliaments and governments in the mid-1990s, the party was, albeit with ups and downs, on an upward trend. With voter shares up to 30 percent in some states, it became the second strongest party, behind either the SPD or the CDU, in several East German states (Behrend 2006; Koß and Hough 2006). However, increasing voter approval didn't translate into rising political clout because developments in the East were, and still are, highly dependent on investment decisions by Western corporations and public policy on the federal level. To impact the latter, a regional party from East Germany, which has less than a quarter of the total population living in the region, needs allies in the West. As just mentioned, the WASG became such an ally and allowed the PDS to transform itself, through the accession of the PDS and the subsequent renaming as The Left, into a political party with a significant membership and voter base in East and West (Kroh and Siedler 2008). Continuing disparities, however,

should not be concealed. One year after its inception, two-thirds of its 76,000 members still came from East Germany (based on data from Die Linke, http://die-linke.de). Electoral approval in the East ranged from 15 percent to 30 percent, whereas it hovered around 5 percent in the West (based on data from pollster Infratest Dimap, http://www.infratest-dimap.de). Despite these significant quantitative differences, there can be no doubt that The Left became a political factor in East and West Germany.

The Left filled the vacuum in West Germany's political spectrum that had opened up when the SPD unequivocally turned toward the Third Way after the resignation of Lafontaine, who became, together with East Germany's Lothar Bisky, a chairperson for The Left (Olsen 2007). The party not only added a progressive choice to the rather uniform menu of neoliberal parties, which included a number of right-wing alternatives, but also marked a historical break in the development of the FRG. From its foundation in 1949 until the emergence of The Left, the SPD had been the only electoral representation of working-class interests on the left (Schmidt 2009b). The Communist Party was marginalized in the early 1950s, and in 1956 it was legally banned. A new communist party, founded in 1968, attracted a fair number of union and other activists but quickly turned out to be an electoral failure. The same is true for a number of Maoist parties and a left-wing SPD offspring formed in 1982. This group, the Democratic Socialists, stood in opposition to Helmut Schmidt, then the SPD leader and chancellor, who had turned from Keynesian demand management to fiscal austerity and was also a major advocate for NATO plans to install a new generation of nuclear missiles in West Germany. Only after losing government power to the conservatives in 1982 did the Keynesian, welfare state–oriented wing raise its voice again within the SPD. The only new party that could establish itself in West Germany's political system before The Left was the Green Party, founded in 1980. Most of its first-generation activists came from the 1970s multitude of Maoist, and a few Trotskyite, groups, who deserted their self-proclaimed vanguardism in search of a

mass base. However, these socialist roots dried up quickly and gave way to a party of middle-class professionals, many of them advocating libertarian agendas on public payrolls.

After the Social Democrats turned to the Third Way in the late 1990s, working-class voters, earning less and facing more job insecurity than those who tended to support the Greens, were left without much choice. They could vote for either the CDU or the SPD. The former managed to moderate and suppress class conflict to some degree, on the basis of Christian notions of reconciliation, while the latter presented the development of the welfare state as a more secular way to gradually move beyond such conflict. Faced with this choice, a majority of working-class voters voted for welfare state protection rather than God's blessings, although it should also be mentioned that the conservatives always had, and still have, a certain working-class following. Nevertheless, it is fair to say that, from the heyday of the Keynesian welfare state to its Third Way turn, the SPD was the party of the West German working class. However, this didn't make it a working-class party. Because its core constituencies of skilled manufacturing workers never sufficed to win elections, the SPD, which even in its early days had been more a party of parliamentary reform than of socialist revolution, sought to win non-proletarian voters beginning in the mid-1950s. During the postwar boom, it was quite successful in attracting rising numbers of white-collar workers and even some managers and industrialists. Though the latter were few, they played an important role in advocating for and implementing corporatist relations within companies and the state. However, the analogous growth of the Social Democratic electorate and welfare state expansion stopped at the same time as the postwar boom turned to significantly slower growth in the 1970s.

After that slowdown, white and blue collars drifted apart and the SPD found it ever more difficult to moderate between those who wanted welfare state protection and those who wanted to be protected from the state's tax collectors. This parting of ways led to the rollback of Keynesianism and social reform within

the party and their final replacement by purely middle-class-oriented Third Way policies. But the turn from long boom to slow growth was not the only reason for the transformation of the SPD. Another was its complete ignorance with regard to transformations within the working class. Past images of the working class as an assembly of skilled factory workers were so powerful — and were reinforced through the organizing practices of West Germany's industrial unions — that workers who didn't fit into this picture were never targeted as potential voters. Even worse, in an attempt to keep together the corporatist alliance between skilled workers, engineers, and managers, carefully crafted during the heyday of the postwar boom and welfare state expansion, growing numbers of unskilled or ostensibly unproductive workers were repudiated. Thus, the SPD represented mostly the higher strata of the working class. Transformations that changed the composition of the working class as a whole were by no means reflected in the organizing and campaigning strategies of the SPD.

After its mutation into a Third Way party, the SPD largely abandoned potential working-class voters of all kinds and accepted the fact that without such votes, its electoral success was limited. Fewer workers than ever were now represented by the political system. In this regard, workers whose standard employment contracts and entitlements to social benefits had integrated them into the political system and the welfare state in the past increasingly joined the political abstention that has always been prevalent among different kinds of non-standard workers. The lack of representation was now shared across different layers of the working class. Though The Left has attracted some workers who are dissatisfied with the SPD (Hildebrandt 2010), it is far from breaking the trend toward the non-representation of the working class in the political system that is clearly reflected in increasing abstention from the ballot box. The gap between votes for The Left and a professed desire for political alternatives that are geared toward social security and job creation is still very large. The difficulties in filling this gap are twofold.

First, within The Left there is, as there was within the PDS, a pragmatist wing, and, in ideological terms, it is actually not far from Third Way social democracy: both share a deep commitment to market imperatives and suspicion vis-à-vis public deficits. Thus, the conflict between a Keynesian welfare state orientation and the Third Way that tore the SPD apart in the past now bedevils The Left. It may not be as apparent as it was in the SPD because The Left's pragmatists are more centred around and dependent on the state apparatus whereas the Social Democratic Third Wayers were more focused on the upper echelons in private companies. The pragmatists' state-centeredness doesn't make them Keynesians, though. To the contrary, because their power depends on their role in the allocation of state money, they are particularly concerned about Keynesian policies that might eventually lead to deep spending cuts, which, in turn, would reduce their own political leverage. However, the Keynesian wing of The Left has a strong base within Germany's two largest unions, IG Metall and the service sector union Verdi. One organizes mostly workers in export-oriented industries and is thus, to some degree at least, committed to international competitiveness. The other represents mostly public sector workers and is as afraid of Keynesianism, with its supposedly excessive deficits and subsequent spending cuts, as are the pragmatists in the party. Therefore, the Keynesianism of The Left is stronger in words than it is in substance.

Second, whatever the weight of the Keynesians within The Left may be, the party has also to decide whether it wants to be a party of protest or of government. Coalitions with the SPD on the state level, in Mecklenburg Western Pomerania from 1998 to 2006 and in Berlin from 2001 to 2011, indicate that The Left, playing a subordinate role in government, has lost substantial appeal as a progressive alternative. However, in order to build its power as a protest party with the prospect of taking over government positions sometime in the future, and based on a largely extended social basis, it has to develop a political project that doesn't rely solely on the rejection of current economic and social conditions

but also suggests concrete steps to change these conditions. At this point, The Left is programmatically torn between the desire to reinvent a true social democracy, applying Keynesian policies to build a welfare state, and various abstract utopias, mixing socialism, libertarianism, and earth friendliness in different ways. For good reasons, many members and potential voters consider the first option an impossible return to the future and the second option alternative ways to nowhere. The Left faces the enormous challenge of bridging the gap between the unrepresented, vaguely articulated interests of masses of workers and crafting an alternative that transcends the current stalemate among pragmatism, concrete utopias of the past, and abstract utopias of the futuree.

SOCIAL DEMOCRATS, THE LEFT, AND THE GREAT RECESSION

Before the Great Recession, it seemed as if neoliberal capitalism had established itself as a relatively stable model of accumulation in the rich countries (Boyer 2000). This was certainly the view of a new generation of SPD leaders who worked hard to fit the party into those new economic and social realities (Walter 2010). Voters who were discontented with social democracy's neoliberal turn eventually had the opportunity to cast their ballots for The Left. That party was still a long way from representing the working class under the reign of neoliberal capitalism in ways comparable to the SPD's representation of working-class interests during the era of the Keynesian welfare state; many of its leaders weren't even convinced that they should aim for such representation. But at least one could expect that continued accumulation of capital and inequality would produce ever-increasing numbers of people who were receptive to alternatives to neoliberalism, and The Left was waiting for them. When the Great Recession began to unfold, many inside and outside the party were expecting the Left Party support to grow dramatically. After all, had The Left not been the only voice in electoral politics that had spoken out against neoliberalism, which was now entering a

severe crisis? Yet the party was unable to increase its support in polls and elections beyond the level it had reached immediately after its founding in the pre-crisis year 2007. Somewhat surprisingly, even the Social Democrats — although they had embraced neoliberalism just a few years earlier — presented themselves as defenders of a more just and stable variety of capitalism as soon as the crisis hit. Faced with financial panic and a sharp economic downturn, and still in government as the conservatives' junior partner, Social Democratic leaders adopted an anti-neoliberal rhetoric that almost made them sound like spokespersons from The Left. Yet while The Left couldn't win support through the crisis, the SPD actually lost even more support than before the crisis. The 23 percent of the total vote the party received in the September 2009 elections was even lower than the 29.2 percent it had received in its first postwar electoral performance in 1949. After a decade in office, first as leader of a "red-green" coalition and later as the CDU's junior partner, the Social Democrats were back in opposition (Albrecht 2009).

Since the end of the Cold War, neoliberalism had been a point of reference; one could adopt this political project like Third Way Social Democrats had or reject it like The Left had. Because the financial and economic crisis of 2008–9 was so deep, earning it the title "Great Recession," policy makers around the world opened the floodgates of central bank liquidity, bailout money for failed banks, and fiscal stimulus to such a degree that neoliberal principles were easily swept away. Some economists saw Keynes making a comeback (Skidelsky 2009), and some people in the SPD, The Left, and the broader, non-partisan Left, thought this would create an opening for something like a twenty-first-century Keynesian welfare state. However, the short moment of large-scale government and central bank intervention and subsequent explosions of public deficits also saw a radicalization of neoliberalism. After the economic crisis had been transformed into a fiscal crisis of the state, neoliberals began pressing for austerity harder than at any time since their monetarist offensive in the late 1970s. Whether this is a last effort before its eventual

demise or the beginning of a renewed neoliberal hegemony is, at this point, still undecided; that will depend on the strategies, mobilizations, and conflicts in which different social actors, far beyond electoral politics, will engage. The Social Democrats could use this change to reinvent themselves after the Third Way turned out to be such a dismal dead end. The Left has the opportunity to expand its political clout by transforming itself from a party whose widely different currents are only united in their opposition to neoliberalism into a force that develops and struggles for actual alternatives (Thompson 2009).

In terms of electoral arithmetic, the chances for a left turn in Germany are actually very good. The push from corporate Germany and its allied media and think tanks has thrown the conservative-liberal coalition government into a deep crisis. In the aftermath of the Great Recession, the conservatives are facing the same problems the SPD had after the 2001 recession. Under capital's pressure to cut taxes for the rich and social spending for the poor, the CDU is losing support from the working class. Even middle-class voters, who supported neoliberalism as long as they were, or believed they were, on the winners' side, are now deserting the conservatives because they live in fear that the next round of neoliberal policies will restructure them into losers. Fear among the middle class has had an even stronger impact on the liberals. While still under the immediate impact of the Great Recession, the liberals (the Free Democratic Party) scored its best result ever, 14.6 percent of the total vote, in the September 2009 election. Many voters saw the tax cuts that the party had promised during the election campaign as the only way to maintain their middle-class status. Half a year later, they realized that tax cuts were either totally off the agenda or reserved for the truly rich. As a result, support for the liberals plummeted by more than half, bringing them dangerously close to the 5 percent threshold that parties have to pass to win seats in Parliament. As a result of dwindling support for the conservatives and liberals, the SPD and The Left, together with the Greens, have an absolute majority in the polls. Yet this shift

does not necessarily indicate a shift toward a social democratic or even socialist alternative to neoliberalism. The main beneficiary of discontent with the conservative-liberal government is the Green Party with its strange brew of libertarianism and neoliberalism. Should the Greens be more successful in meeting middle-class voters' expectations than the liberals, they will have to pursue politics that would make it very difficult, if not totally impossible, to be part of an alternative project that could supersede neoliberalism. However, as part of such a project, they wouldn't be able to serve their middle-class supporters. Fear among the middle class, and volatile voter behaviour resulting from it, along with the continued crisis of working-class representation are the initial conditions under which an alternative to the neoliberal bloc could be built. The desire for such an alternative is clearly there, but whether it will find programmatic and organizational expressions to turn it into a viable political force is an open question.

CONCLUSION

Common explanations for the early 1980s shift from social democratic to conservative governments in Germany and many other countries have referred to changes in social and economic structure that, supposedly, undermined the electoral basis of social democratic parties (Piven 1992; Pontusson 1995) as much as the regulatory capacities of social democratic governments (Scharpf 1991). These explanations suggest that, even if blue-collar workers were to keep on voting for social democracy as they did in the past, their declining numbers would make it difficult to win social democratic majorities. But should the unexpected happen, the hands of social democratic governments would be tied by the threat of capital flight. Unlike in the past, the argument goes, higher wages and taxes, two of the economic main pillars of expanding welfare states, couldn't be enforced against the will of mobile capital, which would relocate to low-wage and low-tax areas.

Building on this set of arguments, social democratic strategists began to advocate for a shift from class-based politics to voter mobilization through appeals to libertarian values in the late 1980s (Kitschelt 1994). The sociology underpinning this strategic advice implied that increasing numbers of well-educated employees in the service sector would be more interested in personal lifestyle choices than in the redistribution of income that was identified as the main concern of blue-collar workers. The shift from income redistribution to libertarian values also had the advantage of avoiding conflict with capital's increased taste for lower taxes and lower wages. At the same time, service employees wouldn't be affected by capital's new economic agenda because their income would be determined by human capital and not by union bargaining or welfare state programs. The electoral success of Third Way social democracy in the late 1990s could be seen as confirmation of the reorientation from a blue-collar base and redistributive politics toward quasi-professionals and service sector professionals, and an appeal to libertarianism (Merkel 2008).

Such an interpretation, however, fails to explain why the success of libertarian social democracy did not endure for long. If it were true that social and economic transformations from nationally regulated industrial economies to a global service or knowledge society was the basis for the social democratic comeback in the 1990s, one would assume that, based on these trends, a whole new era of social democratic hegemony had just begun. This is clearly not the case. Social democracy's sudden resurgence was quickly followed by an equally sudden decline. These gyrations can't be explained with the gradual but steady changes from manufacturing industries to services and from national economies to an integrated global economy.

The German experience suggests that social democracy's electoral fortunes can be explained more consistently by economic cycles and changes in world politics. More specifically, the German Social Democrats had electoral success when they appeared as agents of economic modernization and social justice. During

the New Economy boom of the 1990s, profit growth outpaced job creation and wages so that increasing numbers of working-class voters were asking for what they considered their fair share of economic prosperity. These voters saw the SDP as the party of employment growth and a fair distribution of incomes. Moreover, for their wholehearted support of technological innovation, the Social Democrats won support from voters of different class backgrounds. The hope for permanent prosperity tied this cross-class coalition of voters together. However, economic growth on the one hand and a desire for social justice and innovation on the other do not automatically lead to social democratic election victories. The late 1980s witnessed this same combination of factors that led social democracy to electoral success in 1998. In 1990, though, the Social Democrats were defeated because the unexpected accession of the GDR to the FRG was accompanied by a wave of nationalism that easily swept aside notions of social justice and innovation. It didn't matter how much Social Democrats had bowed to the national flag in the past; if nationalism runs high, the conservatives win the day.

However, times of economic crisis lead to Social Democratic decline, as elections, membership numbers, and approval rates following the downturns in 2001 and 2009 clearly showed. Attempts to square social justice and innovation, notions around which cross-class support at the ballot box has been built, collide with capital's quest to consolidate profits at the expense of wages and the welfare state. Eventually, Social Democrats lose on all fronts: working-class voters feel they don't get the social protection they want, capital thinks it doesn't get enough working-class rollback, and middle-class voters are afraid they will be squished between the tax burden of the welfare state and political support for big corporations. From Social Democratic experiences during economic crisis, it can be concluded that cross-class alliances are not the way out of structural decline caused by a permanently shrinking blue-collar base, but a way toward electoral failure.

One of the ironies of social democracy's experience after the

Cold War is that the GDR's former ruling party found a new role as the organized expression of economic decline and social degradation in post-unification East Germany. When disappointment about social democracy grew after the 2001 crisis, this party, transformed from ruling party of a sovereign nation state to regional opposition party within a state, served as an organizational platform around which disenchanted Social Democrats could coalesce. The Left that came out of these organizational efforts can try to reinvent social democracy as a political force trying to build cross-class alliances whose common denominator is the wish for economic growth. Alternatively, The Left can draw lessons from social democracy's failed reliance on growth and cross-class support, and try to reinvent working-class politics. Such politics would not prioritize the mobilization of the current electorate but would contribute to the remaking of a working class that, at present, has neither a voice in Parliament nor much mobilizing power in the workplace or on the street.

THE QUÉBEC TURN

ROGER RASHI

The 2 May 2011 Canadian federal election was a watershed event in Québec politics. Canada's social democratic party, the New Democratic Party (NDP), swept the province, gaining 80 percent of the federal seats and consigning the sovereigntist Bloc Québécois to also-ran status with a mere handful of seats. Prior to 2011, the Bloc, acting in effect as the nationalist Parti Québécois's federal wing, had garnered a majority of Québec seats in six consecutive federal elections. The unexpected result in the 2011 election both revealed and amplified the crisis in the ranks of the nationalist Bloc, leading many commentators in English Canada to conclude that the Québec National Question, for so many years an insurmountable stumbling block for the NDP, had lost its mobilizing potential. However, the NDP's long-term success is far from assured. Its victory on 2 May is fragile, the electorate is highly volatile, and the National Question, while less prominent than it once was, is still a significant factor. Furthermore, other left alternatives are gaining influence, especially the social movement–oriented and pro-independence Québec Solidaire.

AN EMERGING LEFT-RIGHT AXIS

The social and ideological foundations for progressive politics are quite strong in Québec. At 40 percent, the province has the highest trade union density of any jurisdiction in North America (Statistics Canada 2009, table 1).[1] Québec's unions are on the defensive but are still capable of large mobilizations when the need arises, as shown by the April 2010 public sector's demonstration that brought 75,000 people into the streets of Montreal. Furthermore, the province's social movements (focused on anti-poverty, housing, women, the environment, and students) are active, vocal, and influential. Public opinion, perhaps more than anywhere else on the continent, is favourable to public and state intervention in the economy. As a result, classical neoliberal policies are unpopular, as attested by the persistently weak vote for the Stephen Harper–led federal Conservative Party. It is significant as well that anti-war sentiment is more widespread in Québec than in any other province. Québecers have, for example, expressed strong opposition to Canada's involvement in the US-led war effort in Afghanistan.

Québec constitutes perhaps the ultimate paradox for social democracy in North America. Nowhere else on the continent does one find more favourable conditions for the flourishing of a social democratic party, yet no meaningful formation of that type existed in the province until the 2 May 2011 federal election. On that fateful day, the federal New Democratic Party, led by the late Jack Layton, won fifty-nine of Québec's seventy-five federal seats with a 43 percent share of the popular vote in the province. At the outset of the election campaign, the NDP had

1 For the sake of comparison, union density in Ontario, BC, and Canada stands at 28.1, 30.6, and 31.6 percent, respectively. In the US, the average union density is a paltry 13.6 percent, with the state of New York leading at 27.2 percent. Other heavily industrialized states — such as Michigan, Illinois, New Jersey, Ohio, Pennsylvania, and California — stand between 15 percent and 19 percent. With a rate of 40 percent, Québec easily outranks all other industrial regions in North America.

only one federal MP in the province — Thomas Mulcair, in the riding of Outremont — and, according to opinion polls, enjoyed the support of about 20 percent of the public. This was, in fact, the highest level of support and representation the NDP had ever attained in Québec. The 2 May result was a thunderbolt that shook up the Québec political scene and propelled the NDP to Official Opposition status in Ottawa, with a caucus dominated by Québec MPs. Overnight, it changed the profile of the NDP. However, the party's organizational roots in Québec are extremely thin, and it remains to be seen whether this unexpected result will lead to a permanent and solid NDP presence in the province or will turn out to be a flash in the pan.

The main loser on election night was without a doubt the Bloc Québécois (BQ). With polls on the eve of the election campaign giving it a 40 percent share of the vote and a 20 percent lead on the rest of the field, the Bloc was expected to sweep the province, thereby laying the foundation for a Parti Québécois (PQ) victory in the next provincial election. Instead, it sank to 23 percent of the popular vote and held on to a mere four of the forty-nine seats it had won in the 2008 election. The BQ's resounding defeat shocked the nationalist camp. Within a month of the 2 May debacle, the long-simmering crisis in the PQ broke out into the open as five members of the provincial legislature quit the party, accusing it of having lost both its focus on Québec sovereignty and its social democratic principles. Open dissent with the leadership continued unabated in the parliamentary caucus, and talk was rife of an attempt to unseat Pauline Marois, the much-weakened party leader. Overnight, the PQ, which had been leading in the polls against the scandal-prone and highly unpopular provincial Liberal Party, fell to second place. Even worse, a right-leaning political movement with a vaguely autonomist platform, led by former PQ minister François Legault, was by late fall leading in the polls and attracting support from both former Liberal and PQ voters (Corbeil 2011). At the end of 2011, the PQ was thus mired in a deep crisis, losing support on both its left and right flanks.

For four decades, the Parti Québécois, with its social democratic rhetoric, seemed to have a stranglehold on progressive voters. However, this hold has waned throughout the first decade of the twenty-first century. The party's adoption of neoliberal policies during its years in government from 1994 to 2003, coupled with continued attempts to lure nationalist conservative voters in an effort to regain power, has repulsed many of its left-leaning supporters. The space to the left of the PQ is now in the process of being filled by Québec Solidaire, a New Left–type party with its roots in the anti-globalization movements of the late 1990s and early twenty-first century. This young party, sporting an anti-capitalist and pro-Québec independence program, is now credited with 14 percent of the vote provincially (CROP Opinion Poll, October 2011).

Many commentators, among them the highly respected sociologist Pierre Drouilly, and political scientist Jean-Harman Guay, have correctly noted that a major realignment of political forces is underway in Québec (Drouilly 2008, Guay 2011). For decades, the political scene was dominated by a federalist-sovereigntist axis that pitted the federal and provincial Liberal parties against the Parti Québécois and the Bloc Québécois. However, the crisis in the nationalist camp has been mirrored by an equally severe crisis in the rival camp. The federal Liberals have been grievously affected by the aftermath of the 2005 sponsorship scandal, while the provincial Liberals are reaching record levels of unpopularity. The federalist and sovereigntist blocs are no longer hegemonic, and new forces are emerging. From this fractured political scene, a left-right divide is emerging in Québec.

This major realignment of political forces in Québec is creating an opening on the left of the political spectrum. But which left will rise to fill this void? Will it be a mainstream, Third Way social democracy, drawing sustenance from the NDP's success on the federal scene, or a grassroots left coalescing around Québec Solidaire's social movement–oriented strategy? Currently, these two paths are being pursued on different levels, one on the federal scene and the other on the provincial, but in the present

fluid state of political realignments in Québec, some overlap between these two cannot be excluded.

THE NDP'S QUÉBEC SUCCESS: A HISTORIC BREAKTHROUGH?

The massive success of the NDP in the 2011 federal election should not obscure the fact that it rests on an extremely weak organizational basis in Québec. While the fifty-nine federal seats gathered in the province represent close to 60 percent of the NDP caucus in Ottawa, its membership in the province was still a mere 2 percent of the total party membership four months after the election (Olivier 2011). Furthermore, prior to the May 2011 election, only a handful of ridings had local party chapters. In many areas of the province, the NDP was simply absent or, at best, operated through regional committees. In contrast to other areas in Canada, the NDP had no support from organized labour, and none of Québec's influential social movements endorsed the party. Most of the victorious candidates, with the notable exception of Mulcair and four or five others, were stand-ins, who had little if any roots in the community. In many cases, they did not even campaign locally. In short, in Québec the NDP is a top-heavy party with no solid organizational roots.

The main factor behind the NDP's surge in Québec was the voters' strong rejection of the federal Conservative Party. What was new was that this discontent was expressed in massive voting for a party that had been unable to engineer any kind of success in the French-speaking province for fifty years. The popularity of Jack Layton, which owed much to his ability to communicate in French, and a campaign cleverly pitched to "working families" partially explain this result. Another factor is the loss of traction of the traditional nationalist appeal to uphold "Québec rights" above all other social considerations, although it's important to keep in mind that, according to a June 2011 Léger Marketing poll, close to 40 percent of NDP voters in Québec still support sovereignty. In addition, many have little

or no knowledge of the party's platform or history. In a context of ongoing political realignment and high electoral volatility, a repetition of the 2 May result four or five years from now is far from a foregone conclusion for the NDP.

Not surprisingly, consolidating its breakthrough is presently the NDP's main objective in Québec. Two strategies are possible. The one championed by Mulcair and supported by a number of Québec caucus members is to keep to the political mainstream and avoid too close a relationship with organized labour or the social movements. The unavowed goal of this strategy is to syphon off federal Liberal organizers and supporters in order to build the party from above. The other possible strategy — put forward by trade unionist Alexandre Boulerice, a CUPE staff rep newly elected in the Montreal riding of Rosemont — is to build the party from below by strengthening the party's links with labour and the social movements while keeping a strong focus on defending Québec's national rights, including the right to self-determination.

Needless to say, the party seems to be tilting toward Mulcair's strategy since it dovetails quite nicely with its own trajectory as a tame social democratic formation. But it must tread carefully since too overt an appeal to former Liberal supporters could easily backfire in Québec. Mulcair's notoriety is also a double-edged sword. As a former provincial Liberal minister from 2003 to 2006, he brought instant credibility to the NDP, but he is also viewed with suspicion by many left-wing activists. His reputation as a staunch federalist and determined opponent of Québec independence does not sit well with more nationalist voters.

As for Boulerice, an increasingly influential voice in the caucus, his identification with labour and militant resistance to the Harper Conservatives is definitely an asset. His refusal to cave in to public pressure from English-Canadian media and renounce his membership in Québec Solidaire (as interim NDP caucus leader Nycole Turmel was forced to do in August 2011) has won him considerable respect among activists. However, he was forced by the party leadership to backtrack on the Palestinian

issue and withdraw his very public support for the "Canadian boat to Gaza" initiative. He has also remained silent on some errors committed by party leaders with regard to matters sensitive to Québecers, one example being the unexplained acceptance of a unilingual Supreme Court judge named to the bench by the Tory government.

At this stage, the balance of forces within the party is far from favourable to a "grassroots left" strategy. At best, this strategy might coexist with a more dominant "social democracy from above" approach. But the fundamental question remains: Will the NDP be able to navigate the treacherous waters ahead in Québec and consolidate the 2 May breakthrough? The shoals are obvious. As a party, the NDP is out of sync with the militancy of Québec's social movements. It also takes a highly ambiguous stand on the Québec National Question. Even though, at Jack Layton's urging, the party did recognize Québec's right to self-determination in 2005, it then proceeded to back away from any move to exercise that right and dropped any mention of the issue in its 2008 and 2011 election platforms. The late Jack Layton was very adept at navigating the treacherous waters of Québec. His background as a social activist and his public support for the right to self-determination gave him considerable leeway in the province. But that might not be the case with his successor Mulcair.

QUÉBEC SOLIDAIRE: A NEW PHENOMENON IN QUÉBEC

In contrast to the NDP's top-heavy, "social democracy from above" strategy, Québec Solidaire (QS) represents a much more "grassroots left" approach. It is the first political formation with a modicum of electoral success in Québec to arise from outside the political establishment. Its founders have come exclusively from the social movements and left-wing organizations.

The genesis of QS is intimately linked to the rise of the anti-globlalization movement after 2000. The first few years of this

decade witnessed major extra-parliamentary mobilizations in Québec. The forerunners of QS, the UFP (Union des forces progressistes) and Option Citoyenne, were founded in 2002 and 2003, respectively, with the explicit purpose of giving this rising social movement a political voice. Thus, in February 2006, when UFP and Option Citoyenne merged into a unified political party with six thousand paying members, QS defined itself in its founding statement as "anti-globalization, feminist, ecological, anti-war, and left-wing" (Québec Solidaire 2006). Its membership, drawn extensively from these mass movements, is a mix of young activists, more mature community and labour activists, and far-left activists acting openly as "recognized collectives" (akin to recognized tendencies) within the party.[2]

Following the election of its first and only parliamentarian in December 2008, QS has steadily risen in the polls. By October 2011 it was credited with 14 percent support, roughly three times that of 2008. Representing the Montreal area riding of Mercier in the National Assembly, Amir Khadir has won plaudits from many observers and, more importantly, from the public for his performance both in and out of Parliament. As Léger Marketing polls released in December 2010 and in June 2011 confirm, Khadir is a highly popular personality in Québec, who plays a key role in many of the political debates agitating the province.

Some analysts have attempted to cast QS as a Québec variant of the NDP, but that is definitely not the case. The new party has integrated the main demands of the social movements into its platform, along with a strong call for increased public ownership in natural resources, clean energy production, pharmaceuticals,

2 In June 2007, Québec Solidaire granted the status of "recognized collectives within the party" to Gauche Socialiste, an affiliate of the Fourth International, and to Masse Critique, an anti-capitalist and eco-socialist collective, to which I belong. Also recognized at that time was Socialisme International. Since then, three more collectives have been recognized by QS: the Parti Communiste du Québec, Le Collectif pour la Décroissance (a zero-growth radical-ecology collective), and Le Groupe Marxiste International.

and public transports. At its March 2011 convention, QS moved toward explicit anti-capitalism, calling for the eventual socialization of economic activities based on "national and democratic planning of large-scale nationalized enterprises," "a greater role for social economy (cooperatives and community-owned firms)" and a "regulated private sector comprised of small and medium firms" (Québec Solidaire 2011, 4–7). On the National Question, QS believes that national and social emancipation must be linked in a joint struggle for a non-capitalist and independent Québec. It has put forth a call for the election of a Québec constituent assembly to discuss and democratically determine the constitution of the future sovereign country.

After granting an inordinate amount of attention to electoral work in its first two years, courtesy of back-to-back Québec general elections in 2007 and 2008, QS is now actively supporting and participating in the rising social and labour battles erupting daily in the province. Thus, in its program and practice, the new party is well to the left of any Western social democratic party, including the meek and mild NDP. As I have argued elsewhere (Rashi 2010), QS can be more properly understood as a New Left formation similar to those that have appeared in several European countries (Germany, France, Portugal, and Denmark) during the past decade.

THE PQ: A NATIONALIST PARTY WITH A SOCIAL DEMOCRATIC VENEER

Mired in a deep crisis and facing a historic decline, it is easy to dismiss the Parti Québécois as a spent force. However, a cursory look at its history leads to a more prudent assessment of a party that redefined Québec history in the last three decades of the twentieth century.

The PQ was founded in 1968 by a splinter group from the provincial Liberal Party. Led by René Lévesque, a popular former journalist and past provincial Liberal minister of Natural Resources, it quickly became a mass party and was first elected

to power in 1976. Its overriding objective as enshrined in Article One of the party's program has always been sovereignty for Québec. Its adoption of a social democratic program in its early years had both strategic and tactical motives. It was strategic because the modernizing nationalist elite leading the PQ saw the Québec provincial state as the key to capturing the economy and laying the foundation for a strong entrepreneurial class that could lead Québec to sovereignty. It was tactical because it allowed the party to garner support from organized labour and working-class voters throughout the 1970s, a time of high social mobilization and intense labour struggles in Québec (Fournier 1981).

By the late 1970s, the PQ was established as the main electoral representative of both French-speaking and working-class voters. The budding PQ-labour alliance was further cemented during the 1980 referendum campaign when the PQ's request for a mandate "to negotiate a new pact of sovereignty-association" with the rest of Canada received only 40 percent support. Despite this alliance, organized labour never had any direct input into the PQ. It holds no voting bloc in the party and has no official representatives in its leading bodies. Conversely, the PQ has never defined itself as a working-class party or as the political voice of labour. The PQ has always insisted that it is first and foremost a coalition of various political trends seeking Québec's sovereignty. The nature of its relationship to labour can be characterized as "clientelist" rather than "organic," as is the case with most social democratic parties in the Western world. Even though these parties are clearly reformist and have long ago abandoned any pretense of overthrowing capitalism, they are "organic" in that they have their roots in labour and are structurally linked to the trade unions. This is not the case with the PQ, a multi-class party that has always refused such structural links.

Since 1982 the PQ has repeatedly lurched to the right, straining its "clientelist" relationship with labour to the breaking point. Its first brutal turn to the right came in the aftermath of the lost 1980 referendum on sovereignty. Faced with a growing worldwide recession and swayed by the rising tide of neoliberal

policies in the Western world, the PQ struck violently at public sector employees. In a series of legislative moves in 1982 and 1983, the PQ government instituted an immediate 20 percent rollback in wages to be followed with a three-year freeze. The PQ justified this unprecedented move by invoking the need to protect public finances at a time when the province was under attack by a vengeful federal government bent on forcing Québec to its knees with the unilateral repatriation of the Constitution of Canada. Combining patriotic appeals to workers with skillful moves to split private sector unions from their public sector brethren, the PQ government successfully crushed the most militant sectors of the labour movement. This defeat, much like Ronald Reagan's victory over the air controllers in the US or Margaret Thatcher's crushing of the miners' union in the UK, ushered in a long period of retreat for Québec trade unions (Rouillard 2004).

This scenario was repeated once more in the mid-1990s. Re-elected in 1994 and moving rapidly toward convening a second referendum to take advantage of the negative fallout in the wake of the failed Meech Lake Accord, the PQ resorted once again to its tried-and-true tactic: it resurrected its social democratic program and assiduously courted the trade union vote. Lucien Bouchard, then the leader of the Bloc Québécois in Ottawa, called on Québecers to vote for sovereignty as a bulwark against the English-Canadian neoliberalism threatening to engulf the province.

Following a heart-wrenching defeat by a mere 1 percent in the 1995 referendum, Bouchard, installed as head of the PQ and Québec premier by virtue of his leadership of a nearly successful referendum campaign, struck hard at working people. Barely six months into his administration, Bouchard brought down the toughest austerity measures ever seen in Québec. Dubbed "deficit zero," this ruthless budget-cutting policy resulted in massive cutbacks in health, education, welfare programs, government agencies, and state regulations (Gélinas 2003, 83–91). In an eerie instance of déjà vu, Bouchard justified it all with a massive appeal to Québec national solidarity in the face an aggressive

Engish-Canadian backlash following yet another referendum defeat. Learning from previous experience, Bouchard manoeuvred to mitigate the negative fallout by securing the support of trade union leadership with empty promises of tax-relief measures and job-creating programs.

Predictably defeated in 2003, when a sullen electorate and labour turned away, the PQ even lost official opposition status in 2007, although it regained it in December 2008. After dithering over electoral strategy for a couple of years, Pauline Marois, installed as leader in 2007, opted to reach out to conservative nationalist voters who had defected to the populist Action démocratique du Québec. In March 2010, she moved to put the PQ social democratic shibboleths to rest by calling on the party to recognize that "individual Quebecers, not the state, should henceforth be the driving force in Quebec wealth creation" ("PQ Severs Ties to SPQ Libre" 2010). She completed her "modernization" of the party program in the spring of 2011 by proposing to abandon the traditional strategy of calling a referendum on sovereignty during the first mandate of an elected PQ government. She proposed instead a murky strategy of "sovereign governance" that would eventually lead to a referendum when the conditions were ripe. In one fell swoop, she succeeded in further alienating both left-leaning voters and core nationalist members, setting the stage for the present wrenching crisis in the party.

THE CONGENITAL WEAKNESS OF QUÉBEC SOCIAL DEMOCRACY

A significant aspect of the PQ's multiple right-wing turns over the past two decades is that internal opposition was always muted and of no major consequence. No splits occurred, no divisive programmatic debates ensued, few if any significant resignations took place. The social democrats within the party swallowed the neoliberal policies, rationalized them as having been imposed by tough economic and ideological conditions, appealed for unity

against the federalist camp, and held on to their ministerial or administrative posts. This combination of careerist opportunism and crass compromise with right-wing economic policies has deeply marked social democracy in Québec. In a sense, Québec social democrats were Third Way adherents before the term was even coined.

As for the top labour leadership, it kept oscillating between open support and more muted criticism, never openly breaking the ties first established in the late 1970s. Pointing to the PQ's progressive legislation in government — anti-strike breaking legislation and no-fault auto-insurance in the 1970s, public daycare programs in the 1990s — as if these somehow cancelled out the neoliberal policies and attacks on labour, and continually pleading the "lesser evil" approach, according to which it is better to have some friends in government that none at all, labour leadership swallowed the bitter pills, always hoping for a better tomorrow.

This congenital weakness of Québec social democracy has deep historical roots. It is important to realize that Québec never had a mass-based left-wing party. The Communist Party of Canada did have an influence in trade unions in the 1930s and 1940s; its high-water mark was reached in 1943 and 1945 with the election of Fred Rose, a member of the Communist Party, in the Montreal federal riding of Cartier. But its influence never went much beyond Eastern European, mostly Jewish immigrants in Montreal. Its French-speaking membership was always tiny. Heavy repression by the conservative and church-supported Québec provincial governments of the 1940s and 1950s effectively wiped out the Communist Party. As for the social democratic NDP — or its forerunner, the CCF — they were always seen as English-Canadian-dominated parties, unsympathetic, if not outrightly hostile, to Québec's national aspirations. A short-lived Parti Socialiste du Québec, led by popular labour leader Michel Chartrand, did see the light in the early 1960s, but it quickly waned, battered by splits between supporters of a reformed federalism and those attracted by the rising tide of

modern Québec nationalism unleashed by the Quiet Revolution of the sixties.

The Quiet Revolution refers to the period from 1960 to 1966 when the provincial Liberal Party, having defeated the backward-looking Union Nationale, launched Québec onto a rapid path of modernization. In a few years, the church influence was swept away, public health and education systems were set up, hospital insurance was established, and hydroelectric production was nationalized. Public enterprises sprang up as modern Keynesian state intervention mechanisms were adopted. Trade union rights were enshrined in a new labour code, and union membership exploded as the budding public sector was allowed to unionize. To be sure, this grand reform was brought about by a modern French-speaking Québec bourgeoisie, technocratic and highly educated, in alliance with big American and English-Canadian capital (Brunelle 1978, chap. 2). But it ushered in a long wave of rising social movements as a new radical Québec nationalism, a feisty student movement, and increasingly assertive trade unions took centre stage. Merging with the rebellious spirit of the 1960s and 1970s, this deceptively named Quiet Revolution brought about a rapid radicalization of Québec political life, as young radicals formed socialist and revolutionary groups, engaged in massive demonstrations, and challenged the system.

Through most of the 1960s, Québec social democrats were scattered. Some were members of the Liberal Party, others gathered in and around the rising nationalist groups, and many were in the trade unions or in academia. The birth of the PQ in 1968, with the charismatic René Lévesque at its head, was a signal call to social democrats. They flocked to the new party, enticed by its promise of rapid success, and helped give it its intellectual and moral authority.

Social democracy meant many things in the Québec of that period. For some, it meant completing the Quiet Revolution by giving Québec a state with full powers that would be capable of sustaining a sovereign nation. For others, it meant reforming capitalism along the lines of European social democracy. For a

few, it meant a step on the road to an independent Québec that would then be free to turn toward socialism. The PQ leadership, firmly in the hands of a technocratic bourgeoisie represented by Lévesque and the former high-state functionaries Jacques Parizeau and Claude Morin, was happy to make use of the ambiguities. They rallied as many conventional or right-wing nationalists as they could and kept their left wing on a tight leash. The party was careful to shun the terrorist FLQ in 1970, to steer clear of radical labour struggles, to tone down its social democracy to a level acceptable to corporate interests, much like the NDP or Scandinavian parties, and to keep at bay all those who were too critical of US policies and multinationals. It was in this political environment, replete with compromises and unprincipled horse-trading, that Québec social democracy, itself largely a middle-class phenomenon, came of age. From the very start, it was a subservient trend, careerist and spineless.

BUILDING A LEFT-WING ALTERNATIVE

There is a complex interplay between federal and provincial voting patterns in Québec, but, in the final analysis, it is the provincial level that counts the most. Québec voters traditionally look to their own "national" government first and foremost, as the consistently higher election turnout for provincial ballots clearly demonstrates. In that sense, the lack of a provincial wing since 1994 prevents the NDP from further consolidating its Québec surge. However, having a provincial wing has always confronted the NDP with the daunting problem of its historical stand on the Québec National Question.

From the party's founding in 1961, it had difficulty in dealing with Québec social democrats' demands for a new constitutional deal based on the concept of "two associated states." In 1963, the NDP's French-speaking members split and, under the leadership of labour leader Michel Chartrand, formed an autonomous Parti Socialiste du Québec, which disappeared in the late sixties, its membership attracted to the newly formed Parti Québécois

advocating sovereignty for the province. In 1971, another union leader, Raymond Laliberté, tried to revive the NDP but quit when the party failed to support Québec's right to self-determination. In 1981, the NDP party leadership endorsed unilateral patriation of the constitution without Québec consent and followed it up with support for the *Clarity Act* in 2000, which, among other provisions, made a successful referendum vote on sovereignty contingent upon federal parliamentary agreement. Although this blatant disregard for the right to self-determination was partially reversed by Jack Layton with the Sherbrooke Declaration of 2005, this latter document remains strongly committed to federalism, albeit renewed as "asymmetrical federalism" in an attempt to accommodate some of Québec's demands.

Jumping into the Québec provincial arena, as Mulcair seems to be suggesting, would be a highly risky move that could hinder, rather than assist, the NDP's surge at the federal level. It may also provoke splits in the Québec caucus and prove divisive in the party's small Québec membership. It is unlikely that the NDP leadership would endorse this departure from Layton's carefully laid out strategy of focusing on Québec's federal rather than provincial vote.

Another social democratic option could arise from a revived Parti Québécois under a new leadership with more credible "left-wing" credentials. The defeated Bloc Québécois leader, Gilles Duceppe, a former trade unionist and 1970s radical, is rumoured to be waiting in the wings, but his capacity to rebuild the fractious and disheartened PQ is questionable. His attempt to grab the leadership of the PQ in 2007 failed because the party machine balked at supporting a relative outsider, as well as at his reputedly iron-fisted leadership style. His popularity, although still high, was diminished by the catastrophic showing of the Bloc in the last federal ballot and by Duceppe's own shocking defeat in the riding of Laurier-Ste-Marie, which he had held uninterruptedly for twenty years. His appeal to progressive PQ supporters is substantial, but can he credibly appeal to younger movement activists after having personified for so many years

the subservience of Québec social democrats to the PQ's brand of nationalism? In the meantime, other leadership hopefuls are manoeuvring inside and outside the PQ caucus, and a divisive leadership race, rather than reviving the party, could seal its fate. The key question remains: Can the PQ credibly renew its message after holding power for a combined eighteen years out of the last thirty-five and yet failing to deliver on either the social or the national front?

In short, Québec social democracy has been unable to deal adequately with the Québec National Question. In its nationalist garb, it submitted to the PQ for much of the past half-century and lost its social soul in the process. In its federalist garb, it was marginalized for much of this period, until the last federal election, when it successfully capitalized on voters' discontent.

This historical failure of social democracy, coupled with the realignment of political forces now underway in Québec, has opened a space, probably unique in North America, for a bona fide Left to assert itself. This new Left, in tune with the social movements that have allowed Québec to resist conservative and neoliberal policies to a degree not seen elsewhere in the continent, is attempting to forge a mass alternative capable of influencing the political scene. The future success of Québec Solidaire depends on its ability to deepen its program of a post-capitalist, green, and independent society while simultaneously building larger alliances with social and political forces seeking to oppose the right. That is a difficult challenge for a young party to tackle since it requires differentiating long-term strategic goals from short-term tactical moves yet striving to link them in a coherent political course of action in which tactics both serve and reflect the strategy. The worldwide economic crisis is spurring the party's critique of financial capital and failed Third Way social democracy. Immediate events are stimulating debates on tactical and electoral alliances as high-profile former PQ parliamentarians and some standing PQ members of the National Assembly are suggesting building a sovereigntist and progressive coalition to oppose the right. The present

Parti Québécois leadership, however, is adamant in its refusal of any coalition or electoral pacts. Meanwhile, Québec Solidaire has taken a step, with its last convention, toward clarifying its long-term program. With a Québec provincial election looming sometime in the next two years, the tricky question of tactics is on the table.

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