

## **Understanding Social Democracy**

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For the first half of the twentieth century, Europe was the most turbulent region on earth, convulsed by war, economic crisis, and social and political conflict. For the second half of the century, it was among the most placid, a study in harmony and prosperity. What changed?

Two narratives commonly emerge in answer to this question. The first focuses on the struggle between democracy and its alternatives, pitting liberalism against fascism, National Socialism, and Marxist-Leninism. The second focuses on competition between capitalism and its alternatives, pitting liberals against socialists and communists. Democratic capitalism is simply the best, indeed the “natural” form of societal organization, these stories assert, and once Western Europe fully embraced it, all was well.

This account obviously contains some truth: the century did witness a struggle between democracy and its enemies and the market and its alternatives. But it is only a partial truth, because it overlooks a crucial point: democracy and capitalism were historically at odds. An indispensable element of their joint victory, therefore, was the discovery of some way for them to coexist. In practice, that turned out to mean a willingness to use political power to protect citizens from the ravages of untrammelled markets. The ideology that triumphed was not liberalism, as the “End of History” folks would have it, it was social democracy.

If this sounds surprising or overblown it is because social democracy rarely gets either the respect or in-depth ideological analysis it deserves. As a result, a force that has altered the course of European politics in the past and could do so again in the future remains strangely obscure.

One reason for this neglect is a simple confusion of terms. During the late nineteenth and early twentieth centuries, many socialists adopted the label “social democrat” to differentiate themselves from other socialists who did not accept democracy. But these figures often agreed on little beyond the rejection of an insurrectionary or violent route to power, making their grouping of limited analytical use. Today the situation is similar, with a wide range of individuals and very different political parties identifying themselves as social democratic and having little in common save some vaguely leftist sentiments and fervent desire not to be identified as communist.

Modern scholars, meanwhile, have often failed to appreciate social democracy’s ideological distinctiveness. Most work on the subject in recent decades adopts one of two perspectives. The first, often espoused by critics, sees social democracy as an unstable halfway house between Marxism and liberalism, cobbled together from elements of incompatible traditions. In this view social democrats are socialists without the courage of revolutionary conviction or socialists who have chosen ballots over bullets.<sup>1</sup> The second perspective, often held by supporters, sees the movement as an effort to implement particular policies or uphold certain values. In this view social democrats are basically the champions of the welfare state, or “equality,” or “solidarity.”<sup>2</sup> Each of these views contains some truth, but both miss the larger picture. Correctly understood, social democracy is far more than a particular political program. Nor is it a compromise

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<sup>1</sup> Thus Lenin fervently attacked Eduard Bernstein and other forefathers of social democracy for what he saw as their attempt to sully socialism with “bourgeois liberalism.” True revolutionary socialists, he argued, recognized the “antithesis in principle between liberalism and socialism.” See Lenin, “What Is to Be Done?” in *The Lenin Anthology*, Robert Tucker, ed., (NY: W.W. Norton and Company, 1975). For the notion that social democracy is distinguished by its belief in the possibility of a “parliamentary road” to socialism, see Adam Przeworski, *Capitalism and Social Democracy* (NY: Cambridge University Press, 1988) and *idem* with Adam Sprague, *Paper Stones: A History of Electoral Socialism* (Chicago: University of Chicago Press, 1986).

<sup>2</sup> Some good recent statements of this view by self-professed social democrats include the essays by Michael Broadbent and Michael Walzer in *Dissent*, Fall 1999.

between Marxism and liberalism. And neither should it apply to any individual or party with vaguely leftist sympathies and an antipathy to communism. Instead, social democracy, at least as originally conceived, represented a full-fledged alternative to both Marxism and liberalism that had at its core a distinctive belief in the primacy of politics and communitarianism. The key to understanding its true nature lies in the circumstances of its birth.

### *The Story of Social Democracy*

With the onset of the industrial revolution, liberalism emerged as the first modern political and economic ideology. As capitalism spread across Europe during the nineteenth century, liberalism provided both an explanation of and a justification for the transformations the new system brought. Liberals promulgated a faith in progress, a belief that the market could deliver the greatest good to the greatest number, and the conviction that states should interfere as little as possible in the lives of individuals. Indeed, there was such a match between the times and the ideology that the nineteenth century has often been called the “age of liberalism.”<sup>3</sup>

Yet by the middle of the century the bloom was already off the rose. The practical consequences of early capitalism—especially the dramatic inequalities, social dislocation, and atomization it engendered—led to a backlash against liberalism and a search for alternatives.<sup>4</sup> The most important and powerful challenge on the left came from Marxism and by the last decades of the nineteenth century, a scientific and

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<sup>3</sup> E.g. L.T. Hobhouse, *Liberalism* (NY: Oxford University Press, 1964), 110.

<sup>4</sup> Within the liberal camp itself unease with the effects of unfettered markets on society led liberal “revisionists” to strike out on their own in the hope of creating a new synthesis.

deterministic version of Marxism (which was largely codified by Marx's collaborator and leading apostle, Friedrich Engels, and popularized by the "pope of socialism," Karl Kautsky) had established itself as the official ideology of much of the international socialist movement.<sup>5</sup>

The most distinctive features of this doctrine were historical materialism and class struggle which combined argued that history was propelled forward not by changes in human consciousness or behavior, but rather by economic development and the resulting shifts in social relationships. As Engels put it, "The materialist conception of history starts from the proposition that...the final causes of all social changes and political revolutions are to be sought, not in men's brains, not in man's better insight into eternal truth and justice, but in changes in the modes of production and exchange. They are to be sought, not in the *philosophy* but in the *economics* of each particular epoch."<sup>6</sup> As one observer noted, what historical materialism offered was an "obstetric" view of history: since capitalism had within it the seeds of the future socialist society, socialists had only to wait for economic development to push the system's internal contradictions to the point where the emergence of the new order would require little more than some

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<sup>5</sup> There is a great debate in the literature about whether "orthodox Marxism" is a logical continuation or betrayal of Marx's thought. Since I am not concerned here with the true nature of Marxism, but rather with how a generation of socialists interpreted or perceived Marxism, this debate is not directly relevant to the argument presented here. Nonetheless, it is clear that Marx's relative lack of concern with politics combined with his emphasis on the primacy of economic forces in history created a fateful dynamic for the generation of socialist that followed him. See, for example, Ralph Miliband, Marxism and Politics (NY: Oxford University Press, 1977); Robert Tucker, The Marxian Revolutionary Idea (Princeton: Princeton University Press, 1970); Alvin Gouldner, The Two Marxisms (NY: The Seabury Press, 1980); Joseph Schwartz, The Permanence of the Political (Princeton University Press, 1995); G.A. Cohen, If You're an Egalitarian, How Come You're so Rich? (Cambridge, MA: Harvard University Press, 1999);

<sup>6</sup> Engels, "Anti-Dühring: Herr Eugen Dühring's Revolution in Science" (Moscow, 1962), pp. 365-366. See also M.C. Howard and J.E. King, A History of Marxian Economics, Vol. 1 (Princeton: Princeton University Press, 1989), for a discussion how Anti-Dühring and Engels' work more generally affected the development of Marxian economics.

midwifery.<sup>7</sup> And in this drama the role of midwife was played by class struggle and in particular by the proletariat. As Kautsky put it, “economic evolution inevitably brings on conditions that will compel the exploited classes to rise against this system of private ownership.”<sup>8</sup> With each passing day, ever larger would grow the group of “propertyless workers for whom the existing system [would become] unbearable; who have nothing to lose by its downfall but everything to gain”<sup>9</sup>

As time passed, however, orthodox Marxism began to run into trouble. To begin with, many of Marx’s predictions failed to come true. By the fin-de-siècle European capitalism had developed renewed vigor after a long depression and bourgeois states had begun undertaking important political, economic, and social reforms. Just as Marxism’s failings as a guide to history were becoming clear, moreover, criticism arose within the international socialist movement regarding its inadequacy as a guide to constructive political action. Parties acting in Marx’s name had become important political players in a number of European countries by the end of the nineteenth century, but orthodox Marxism could not furnish them with a strategy for using their power to achieve any practical goals. Orthodox Marxist thought had little to say about the role of political

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<sup>7</sup> The term comes from G.A. Cohen, *If You’re an Egalitarian, How Come You’re so Rich?* (Cambridge: Harvard University Press, 1999) and Thomas Nagel’s review of Cohen in the *Times Literary Supplement*, June 23, 2000, pp. 5-6. For perhaps the simplest, clearest statement by Marx of the logic of historical materialism see his “Preface to the Contribution to the Critique of Political Economy.” Reprinted, for example, in Tucker, ed., pp. 3-6.

The obvious contradiction here, of course, is that if all that was required was a little “midwifery” why build up large, powerful socialist parties in the first place? This is a dilemma that Marxist scholars have grappled with ever since. See below and for example, F.R. Hansen, *The Breakdown of Capitalism* (London: Routledge and Kegan Paul, 1985); Alvin Gouldner, *The Two Marxisms* (NY: The Seabury Press, 1980); Perry Anderson, *In the Tracks of Historical Materialism* (Chicago: University of Chicago Press, 1983); and James Gregor, *A Survey of Marxism: Problems in Philosophy and the Theory of History* (NY: Random House, 1965).

<sup>8</sup> Kautsky, “The Class Struggle,” pp. 90-91.

<sup>9</sup> Ibid, p. 119. One can find these views presented in any number of Kautsky’s popular writings. See, for example, Kautsky, “The Capitalist Class” (NY: The National Executive Committee of the Socialist Labor Party, 1918); idem, *The Economic Doctrines of Karl Marx*; and idem, “The Working Class” (NY: New York Labor News Co., 1918).

organizations in general, since it considered economic forces rather than political activism to be the prime mover of history.

Around the turn of the twentieth century, therefore, many on the left faced a troubling dilemma: Capitalism was flourishing, but the economic injustices and social fragmentation that had motivated the Marxist project in the first place remained. Orthodox Marxism offered only a counsel of passivity—of waiting for the contradictions within capitalism to bring the system down, which seemed both highly unlikely and increasingly unpalatable.

Orthodox Marxism's passive economism also did little to meet the psychopolitical needs of mass populations under economic and social stress. The last years of the nineteenth century, like those at the end of the twentieth and the beginning of the twenty-first, were marked by a wave of globalization and rapid and disorienting change. This caused immense unease in European societies and critics, not just on the left but increasingly now on the nationalist right, increasingly railed against the glorification of self-interest and rampant individualism, the erosion of traditional values and communities, and the rise of social dislocation, atomization, and fragmentation that capitalism brought in its wake.<sup>10</sup> Orthodox Marxism had little to offer those interested in actively responding to capitalism's downsides (rather than merely waiting for its collapse) and little sympathy or understanding for growing communitarian and nationalist

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<sup>10</sup> H. Stuart Hughes, Consciousness and Society: The Reorientation of European Social Thought, 1890-1930 (N.Y.: Vintage Books, 1977). Carlton J.H. Hayes, A Generation of Materialism, 1871-1900 (N.Y.: Harper and Brothers Publishing, 1941); Hans Kohn, Political Ideologies of the Twentieth Century (N.Y.: The Macmillan Co, 1949); Robert Nisbet, The Sociological Tradition (NY: Basic Books, 1966); idem, The Quest for Community (N.Y.: Oxford University Press, 1953); Reinhart Koselleck, Critique and Crisis: Enlightenment and the Pathogenesis of Modern Society (N.Y.: Berg, 1988).

sentiment. It was against this backdrop and in response to these frustrations that the social democratic movement emerged.

As the nineteenth century drew to its close, several socialists realized that if their desired political outcome was not going to come about because it was inevitable (as Marx, Engels, and many of their influential followers believed), then it would have to be achieved as a result of human action. Some dissidents, such as Lenin, felt it could be *imposed*, and set out to spur history along through the politico-military efforts of a revolutionary vanguard. Others felt that it could be made *desirable*, and thus emerge through the collective efforts of human beings motivated by a belief in a higher good.

Within this latter “revisionist” camp, two distinct strands of thinking emerged. The first was revolutionary and epitomized by the work of Georges Sorel.<sup>11</sup> For Sorel, a radical and perhaps violent overthrow of the existing order seemed the surest path to a better future. Socialism, in this view, would emerge from “active combat that would destroy the existing state of things.”<sup>12</sup> The second strand of revisionism was democratic and epitomized by the work of Eduard Bernstein. Like Sorel, Bernstein believed that socialism would emerge from an active struggle for a better world, but unlike Sorel he thought this struggle could and should take a democratic and evolutionary form. Where Sorel’s work would help lay the groundwork for fascism, Bernstein’s would help lay the groundwork for social democracy.

Bernstein attacked the two main pillars of orthodox Marxism--historical materialism and class struggle--and argued for an alternative based on the primacy of politics and cross class cooperation. His observations about capitalism led him to believe

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<sup>11</sup> Zeev Sternhell, *The Birth of Fascist Ideology* (Princeton: Princeton University Press, 1994) and idem, *Neither Right nor Left* (Berkeley: University of California Press, 1986).

<sup>12</sup> Georges Sorel, *Reflections on Violence* (London: Collier Macmillan, 1950), p. 50.

that it was not leading to an increasing concentration of wealth and the immiseration of society, but rather was becoming increasingly complex and adaptable. Instead of waiting until capitalism collapsed for socialism to emerge, therefore, he favored trying to actively reform the existing system. In his view the prospects for socialism depended “not on the decrease but on the increase of...wealth,” and on the ability of socialists to come up with “positive suggestions for reform” capable of spurring fundamental change.<sup>13</sup>

Bernstein’s loss of belief in the inevitability of socialism led him to appreciate the potential for human will and political action. Orthodox Marxists’ faith in historical materialism, he felt, had bred a dangerous political passivity that would cost them the enthusiasm of the masses. He felt the doctrine of inevitable class struggle shared the same fatal flaws, being both historically inaccurate and politically debilitating. There was actually a natural community of interest between workers and the vast majority of society that suffered from the injustices of the capitalist system, he argued, and socialists should regard dissatisfied elements of the middle classes and peasantry as potential allies ready to be converted to the cause.

Bernstein’s arguments were echoed by a small but growing number of dissident socialists across Europe, who shared an emphasis on a political path to socialism rather than its necessity, and on cross-class cooperation rather than class conflict. During the last years of the nineteenth and the first years of the twentieth century revisionism progressed in fits and starts, within and across several countries, and against continued opposition from both orthodox Marxists and atheoretical pragmatists (who wanted to pursue reforms without rocking the boat). Although Bernstein and his fellow revisionists insisted that they were merely “revising” or “updating” Marxism, their fiercest critics--

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<sup>13</sup> Bernstein, “The Struggle of Social Democracy and the Social Revolution,” *Neue Zeit*, Jan. 19, 1898.

the defenders of orthodoxy-- saw clearly what the revisionists themselves were loath to admit: that they were arguing for a replacement of Marxism with something entirely different. By abandoning historical materialism and class struggle, they were in fact rejecting Marxism as thoroughly as Marx had rejected liberalism a half century earlier. But the revisionists were not yet ready to fully accept the implications of their views and make a clean break with orthodoxy. The result was growing tension and confusion, which left the international socialist movement, like many of its constituent parties, a house divided against itself. World War I and its aftermath brought the house down.

The vast changes unleashed by the Great War led many on the left to explicitly reject of the twin pillars of orthodox Marxism—class struggle and historical materialism—and openly embrace their antitheses—cross-class cooperation and the primacy of politics. The first pillar suffered a critical blow with the outbreak of the war. Socialist parties across the continent abandoned their suspicion of bourgeois parties and institutions and threw their support behind the states they had hitherto pledged to destroy. The doctrine of class struggle came under even more pressure in the postwar era, as the democratic wave that spread across much of Europe confronted socialists with unprecedented opportunities for participation in bourgeois governments. Given a chance to help form or even lead democratic administrations, many were forced to recognize the uncomfortable truth that workers alone could never deliver an electoral majority and that cooperation with non-proletarians was the price of political power. The war also revealed the immense mobilizing power of nationalism and bred a generation that valued community, solidarity, and struggle. Populist right wing movements across the continent were riding these trends, and many socialists worried that clinging to orthodox

Marxism's emphasis on class conflict and proletarian exclusivity would prevent them from responding to the needs of ordinary citizens and thus cause them to lose ground to competitors.

The second pillar, historical materialism, was also dealt a critical blow by the war and its aftermath. The pivotal position occupied by socialist parties in many newly democratized countries after the Great War made it increasingly difficult to avoid the question of how political power could contribute to socialist transformation, and the subsequent onset of the Great Depression made submission to economic forces tantamount to political suicide. Protest against liberalism and capitalism had been growing since the end of the nineteenth century, but war and depression gave these protests a mass base and renewed momentum, with the legions of the disaffected ready to be claimed by any political movement promising to tame markets. Orthodoxy's emphasis on letting economic forces be the drivers of history meant that here too it ceded ground to activist groups on the right.

As socialist parties stumbled and fell in country after country, a growing number of socialists became convinced that a whole new vision was necessary for their movement—one that would supplant rather than tinker with orthodoxy. So they turned to the themes set out by revisionism's pioneers a generation earlier: the value of cross-class cooperation and the primacy of politics. In the context of the interwar years and the Great Depression this meant first and foremost using political forces to control economic ones. Where orthodox Marxists and classical liberals preached passivity in the face of economic catastrophe, the new, truly "social democratic" leftists fought for programs that would use the power of the state to tame the capitalist system. Neither hoping for

capitalism's demise nor worshipping the market uncritically, they argued that the market's anarchic and destructive powers could and should be fettered at the same time that its ability to produce unprecedented material bounty was exploited. They thus came to champion a real "third way" between laissez-faire liberalism and Soviet communism based on a belief that political forces must be able to triumph over economic ones. These themes found their advocates within all socialist parties. In Belgium, Holland and France, for example, Hendrik De Man and his *Plan du Travail* found energetic champions. De Man argued for an activist depression fighting strategy, an evolutionary transformation of capitalism, and a focus on the control rather than the ownership of capital. Activists in other parts of Europe echoed these themes: in Germany and Austria reformers advocated government intervention in the economy and pseudo-Keynesian stimulation programs; and in Sweden the SAP initiated the single most ambitious attempt to reshape capitalism from within.

Regardless of the specific policies they advocated, one thing that joined all budding interwar social democrats was a rejection of the passivity and economic determinism of orthodox Marxism and a belief in the need to use state power to tame the capitalism. In order to do this, however—and finally relegate historical materialism to the dustbin of history—they had to win majority support for their programs and fight back the advances of the growing nationalist right. Hence, during the interwar years many returned to the themes of cross-class cooperation that Bernstein and other revisionists had preached a generation earlier. In an era of dislocation and disorientation, these social democrats realized that appeals to the "people," the "community," and the common good were much more attractive than the class struggle perspective of orthodox

Marxism or the individualism of classic liberals and so they often embraced communitarian, corporatist, and even nationalist appeals and urged their parties to make the transition from workers' to "people's" parties. Once again de Man was a key figure. He argued that especially since the war a natural community of interest had arisen between workers and other social groups and his *Plan* was therefore explicitly designed to appeal to "all classes of the population suffering from the present economic distress and to all men of good will."<sup>14</sup> Here too activists echoed De Man's themes across the continent but it was only in Scandinavia, and in Sweden in particular, that a unified party embraced this new approach wholeheartedly. This is why one must turn to the Swedish case to observe the full dimensions, and potential, of the social democratic experiment.

During the interwar years the Swedish social democratic party, the SAP, began to develop a comprehensive economic program designed to harness the powers of the market and reshape the Swedish polity. In selling this program to the electorate, especially during the depression, the SAP stressed its activism and commitment to the common good. For example, during the 1932 election campaign a leading party paper proclaimed: "Humanity carries its destiny in its own hands.... Where the bourgeoisie preach laxity and submission to...fate, we appeal to people's desire for creativity...conscious that we both can and will succeed in shaping a social system in which the fruits of labor will go to the benefit of those who are willing to...participate in the common task."<sup>15</sup>

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<sup>14</sup> De Man, "The Plan du Travail," reprinted in Peter Dodge, Hendrik de Man: Socialist Critic of Marxism (Princeton: Princeton University Press, 1979).

<sup>15</sup> Social-Demokraten, 15 September 1932.

The SAP's leader Per Albin Hansson, meanwhile, was popularizing his theme of Sweden as the "folkhemmet" or "people's home." He declared, "the basis of the home is community and togetherness" and stressed that social democracy strove to "break down the barriers that...separate citizens."<sup>16</sup> The result was that while in countries such as Germany and Italy the populist right assumed the mantle of communal solidarity and put together devastatingly effective cross-class coalitions, in Sweden it was the social democrats who became seen as the champions of the "little people" and as being "one with the nation" and who took critical steps towards becoming a true "people's party." These positions helped the SAP to form a majority government through an alliance with the peasantry, and reap the political rewards from the economic recovery that eventually occurred.

By the mid-1930s, therefore, the democratic strand of revisionism had blossomed into a powerful and creative political movement all its own. Orthodox Marxism's historical materialism and class struggle were explicitly jettisoned for a belief in the primacy of politics and communitarianism, and these principles were translated into a distinctive and viable policy agenda based on cross-class appeals and a "people's party" approach together with a commitment to using the state to control markets. The result was the severance of socialism from Marxism and the emergence of what should correctly be understood as social democracy. It was only in Sweden, however, that such social democrats were able to take charge of a political party and so it was only there that the social democratic agenda was fully implemented. The irony of the postwar era would

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<sup>16</sup> Speech in the Riksdag, 1928.

be that just as many social democratic principles and policies came to be widely accepted, many social democrats forgot why they had championed them in the first place.

### *The Postwar Era*

World War II was the culmination of the most violent and destructive period in modern European history. As the 1947 Report of the Committee of European Economic Cooperation declared, “The scale of destruction and disruption of European economic life was far greater than that which Europe had experienced in the First World War....The devastated countries had to start again almost from the beginning.”<sup>17</sup> And indeed 1945 was a new beginning, as Europe struggled to rebuild economically while trying to head off the political and social instability that had led to ruin in the past. There was a widespread conviction that unchecked capitalism could threaten goals in all three spheres. One observer notes, “If the war had shattered anything, it was the already damaged belief that capitalism, if left to its own devices, would be able to generate the ‘good society.’”<sup>18</sup> The political chaos and social dislocation of the 1930s were held to have been caused by the Great Depression, which in turn was held to have been the consequence of unregulated markets—and so actors from across the European political spectrum agreed on inadvisability of taking that path again.

The war itself, moreover, profoundly changed many people’s views of the appropriate roles of states and markets. “All European governments assumed responsibility for managing the economy and controlling society during the war, but after

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<sup>17</sup> Reprinted in Shepard B. Clough, Thomas Moodie, and Carol Moodie, eds., Economic History of Europe: Twentieth Century (NY: Harper and Row, 1968), 328.

<sup>18</sup> Donald Sassoon, One Hundred Years of Socialism (NY: The Free Press, 1996), 84

the war they did not withdraw from economic and social life as most attempted to do after the First World War....The experience of the war [seemed to] demonstrate conclusively that, contrary to the received wisdom of the 1920s and 1930s, central governments could in fact control economic development effectively.”<sup>19</sup> Such beliefs were by no means limited to the left. Having learned from decades of war and crisis that social divisions and laissez-faire capitalism could lead to disaster if left unattended other parties began supporting similar policies and programs.<sup>20</sup> The 1947 program of the German Christian Democrats, for example, declared, “The new structure of the German economy must start from the realization that the period of uncurtailed rule by private capitalism is over.” In France, meanwhile, the Catholic Mouvement Republicain Populaire declared in its first manifesto that it supported a “revolution” to create a state “liberated from the power of those who possess wealth.”<sup>21</sup>

After 1945, therefore, Western European nations started to construct a new order, one that could ensure economic growth while at the same time protecting societies from capitalism’s destructive consequences.<sup>22</sup> As John Ruggie has put it, postwar policymakers “seized upon the state in the attempt to reimpose broader and more direct social control over market forces,” redefining the “legitimate social purposes in pursuit of

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<sup>19</sup> Frank Tipton and Robert Aldrich, An Economic and Social History of Europe from 1939 to the Present (Baltimore: Johns Hopkins University Press, 1987), 6, 48.

<sup>20</sup> Of course many of these policies and appeals—including corporatism, visions of social solidarity and even vague anti-capitalist sentiments—also had long histories within other political movements. Catholics, right-wing populists and some conservatives could all be found advocating such things at one time or another. However, social democrats were most consistent and powerful advocates of this particular bundle of policies, and the ones with the most comprehensive and coherent rationale for such advocacy.

<sup>21</sup> Sasoon, 140.

<sup>22</sup> Stephen Marglin and Juliet Schor, eds, The Golden Age of Capitalism (NY: Clarendon Press, 1991); Philip Armstrong, Andrew Glyn, and John Harrison, Capitalism Since 1945 (NY: Basil Blackwell, 1991); Geoffrey Denton, Murray Forsyth, and Malcom MacLennan, Economic Planning and Policies in Britain, France and Germany (London: George Allen & Unwin, 1968);

which state power was expected to be employed in the domestic economy.”<sup>23</sup> No longer would states be limited to ensuring that markets could grow and flourish; no longer were economic interests to be given the widest possible leeway. Instead, after 1945 the state became generally understood to be the guardian of society rather than the economy, and economic imperatives were often forced to take a back seat to social ones. Throughout Western Europe, states explicitly committed themselves to managing markets and protecting society from its most destructive effects, with the two most oft-noted manifestations of this being Keynesianism and the welfare state.

Keynesianism’s significance lay in its rejection of the view that markets operated best when left to themselves and its recognition of the need for substantial state intervention in economic affairs. As one observer put it:

...for classical liberal economists of the nineteenth century, the artificial notion of economic policy had to be meaningless since all adjustments were held to be governed by ”natural” laws of equilibrium. Their only preoccupation was to keep the state from abusing its institutional role.... In the end, economists of Marxist allegiance essentially believed the likewise, crises in capitalism were inevitable, and only a change of regime – the progression to socialism – could modify this given.<sup>24</sup>

John Maynard Keynes rejected such views and argued that state action would often be necessary to help avoid economic crises that could threaten both democracy and the capitalist system itself. Having experienced the rise of the Soviet Union and the Great Depression, Keynes understood that markets were socially and politically dangerous. As his biographer has noted, “Keynes was quite consciously seeking an alternative to

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<sup>23</sup> John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization*, 36, 2, Spring 1982, 386.

<sup>24</sup> *Ibid.*

dictatorship ... a programme on which to fight back against fascism and communism.”<sup>25</sup>

He hoped to undercut the appeal of left-wing calls for capitalism’s destruction by showing how it could be rescued from its flaws, and hoped to undercut the appeal of fascism by reconciling democracy with increased state management of the economy.

With regard to the former, Keynes provided arguments for those who wanted to ensure prosperity while avoiding extensive nationalizations and a command economy. In particular, he showed how the state could use fiscal and monetary policy to influence demand, thus stabilizing profits and employment without actually socializing ownership itself.<sup>26</sup> But Keynes believed that a more active state and a more “managed” capitalist system were necessary for political reasons as well. He was aware of the appeal of fascism’s economic stance and the widespread view that capitalism and democracy were incompatible. As one analyst of Keynesianism has noted, fascism “promised an anti-socialist solution to the crisis of capitalism ... [and] offered a political critique of liberalism’s ineffectiveness in the face of [that] crisis.”<sup>27</sup> Keynes, by offering a system that “held out the prospect that the state could reconcile the private ownership of the means of production with democratic management of the economy,”<sup>28</sup> showed that there was another, non-totalitarian solution to the problem.

Like Keynesianism, the welfare state also represented a transformation in the relationship between states and markets. In particular, the welfare state repudiated the view that a “good” state was one that interfered in the economy and society least; with

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<sup>25</sup> Skidelsky, “The Political Meaning of Keynesianism,” in *ibid.*, 35–6.

<sup>26</sup> Stuart Holland, “Keynes and the Socialists,” in Skidelsky, ed., *The End of the Keynesian Era*, 68.

<sup>27</sup> Skidelsky, “The Political Meaning of Keynesianism,” 35–6.

<sup>28</sup> Adam Przeworski, *Capitalism and Social Democracy* (Cambridge, MA: Cambridge University Press, 1985), 207.

the acceptance of the welfare state, governments were increasingly viewed as the guardians and protectors of the citizenry. As C.A.R. Crosland noted, after 1945 “it was increasingly regarded as a proper function and indeed obligation of Government to ward off distress and strain not only among the poor but almost all classes of society.”<sup>29</sup> States were now committed to doing, on a massive, impersonal scale, what members of families and local communities had done in pre-capitalist times—namely, take care of people when they couldn’t help themselves. Welfare states, in other words, broke with a main tenet of liberalism by insisting that basic subsistence should be “guaranteed as a moral right of membership in a human community”<sup>30</sup> rather than depending haphazardly on one’s position in the marketplace.

Across Europe, in short, the postwar order represented something quite unusual. Crosland pointed out that it was “different in kind from classical capitalism...in almost every respect that one can think of,”<sup>31</sup> while Andrew Shonfield questioned whether “the economic order under which we now live and the social structure that goes with it are so different from what preceded them that it [has become] misleading...to use the word ‘capitalism’ to describe them.”<sup>32</sup> Capitalism remained, but it was a capitalism of a very different type—one tempered and limited by political power and often made subservient to the needs of society rather than the other way around. Scholars have long recognized that this new order represented both a decisive break with the past and a repudiation of the radical left’s hopes for an end to capitalism.<sup>33</sup> What they have often failed to

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<sup>29</sup> C.A.R. Crosland, The Future of Socialism (London: Fletcher and Son, 1967), 98.

<sup>30</sup> Karl Polanyi, The Great Transformation (Boston: Beacon Press, 1944) and also Marshall, “Citizenship and Social Class,” 86ff.

<sup>31</sup> Crosland, The Future of Socialism, 34.

<sup>32</sup> Andrew Shonfield, Modern Capitalism (NY: Oxford University Press, 1969), 3.

<sup>33</sup> Charles Maier, “The Two Postwar Eras,” American Historical Review, 86, 2, April 1981 and Clas Offe, “Comparative Party Democracy and the Welfare State,” Policy Sciences, 15, 1983.

appreciate, however, is just how much repudiation it was of traditional liberalism as well. The core principle of the new system—that political forces should control economic ones—was a reversal of both classical liberalism’s theory and its long-standing practice. The most common term used to describe the postwar system—Ruggie’s concept of “embedded liberalism”<sup>34</sup>—is thus a misnomer. If liberalism can be stretched to encompass an order that saw unchecked markets as dangerous, that had public interests trump private prerogatives, and that granted states the right to intervene in the economy and society to protect a “common” or “public” interest, then the term is so elastic as to be nearly useless. In fact, rather than a modified updated form of liberalism, what spread like wildfire after the war was really something quite different: social democracy.

Although the postwar order represented a clear triumph for social democratic principles, it was less of a victory for actual social democrats themselves—both because many on the left continued to cling to less promising ideological approaches and because many non-leftists moved quickly to appropriate central planks of the social democratic program, becoming ardent supporters of the postwar order.

After the war almost all democratic socialist parties eventually turned themselves into champions of policies such as Keynesianism and the welfare state, but this practical reorientation was not always matched by an equivalent ideological one. Many mainstream socialists, that is, may have embraced the revisionists’ words, but many still didn’t hear the music and continued to proclaim their dedication to classic, prewar ideological goals such as transcending capitalism entirely and avoiding too-close relationships with non-proletarian groups. Over time, all parties of the left recognized this as a disastrous political strategy, and so eventually all did break decisively with the

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<sup>34</sup> Ruggie, “International Regimes, Transactions, and Change.”

past and with orthodox Marxism in particular. Unfortunately, by the time they did so others had stolen a jump on them politically, adopting many social democratic policies and reaching across class boundaries, and the true lineage and rationale of social democratic policies had been forgotten.

The loss of a vibrant, organic connection between the vision of the social democrats of the first third of the twentieth century and those of the postwar era was partially a result of generational change on the left. By the war's end, many of the socialist movement's pioneering activists and intellectuals had either died or emigrated from Europe. As leftist parties reoriented themselves towards gaining political support and power, meanwhile, they naturally selected as leaders technocrats and managers rather than intellectuals and activists--people comfortable with, and good at, the ordinary politics of ordinary times. These new leaders often presided over unprecedented power and political success, but they lacked the old-timers' hunger, creative spark, and theoretical sophistication. As a result, by the last decades of the twentieth century the democratic left had largely become estranged from social democracy's original rationale and goals, clinging only to the specific policy measures that their predecessors had advocated decades before. Few recognized that these policies, while crucial achievements in their day, had originally been viewed as only means to larger ends, and fewer still tended enough of the movement's original fires to be able to forge innovative responses to contemporary challenges. This left them vulnerable to neoliberal forces offering bolder, more innovative responses to contemporary challenges.

The classic and most consequential unfolding of this drama occurred in Germany. Despite the radically changed environment, after the war the SPD offered Germans a

rehashed version of its prewar program and appeal.<sup>35</sup> The theoretical and historical sections of the party's program, for example, spoke in traditional Marxist tones not dramatically different from those invoked at Erfurt more than half a century earlier. Schumacher, who dominated the leadership until his death in 1952, proclaimed:

The crucial point [of the SPD's contemporary agenda] is the abolition of capitalist exploitation and the transfer of the means of production from the control of the big proprietors to social ownership, the management of the economy as a whole in accordance not with the interests of private profit but with the principles of economically necessary planning. The muddle of the capitalist private-economy ... cannot be tolerated. Planning and control are not socialism; they are only prerequisites for it. The crucial step is to be seen in drastic socialisation.<sup>36</sup>

In addition to offering a bleak and intransigent view of capitalism's possibilities and calling for widespread nationalization, the SPD also more or less returned to its traditional emphasis on workers and suspicion of other parties. Under its first postwar leader, Kurt Schumacher, "the party slid all too easily into the oppositional stance of the Weimar days, supremely confident that it could spurn co-operation with bourgeois parties and win power effortlessly through the logic of history."<sup>37</sup>

But if Schumacher and his cronies were comfortable with such a position, others in the party, and especially its younger echelons, were not. As the SPD's membership declined during the 1950s, it became painfully clear that without a change it was heading for permanent minority status. The contrast between the increasingly dictatorial regime in

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<sup>35</sup> This is perhaps easier to understand if one recognizes that many of the party's initial postwar leaders came from its prewar ranks. William Carr, "German Social Democracy Since 1945," in Roger Fletcher, ed., *From Bernstein to Brandt* (London: Edward Arnold, 1987), and Susan Miller and Heinrich Potthoff, *A History of German Social Democracy* (New York: St. Martin's Press, 1986), esp. 152.

<sup>36</sup> Schumacher, "What Do the Social Democrats Want?" speech delivered in Kiel on October 27, 1945, reprinted in *ibid.*, 274.

<sup>37</sup> Carr, "German Social Democracy Since 1945," 194.

the East and the Federal Republic's prospering economy, meanwhile, helped many to realize that a fully socialized economy was inimical to both democracy and growth.<sup>38</sup> In 1955, therefore, Schumacher's successor Erich Ollenhauer set up a commission to reevaluate the party's direction and appeal.

The ultimate outcome was a full reconsideration of the SPD's course in German politics, the famed Bad Godesberg program. Essentially, it committed the SPD to the two main pillars of a modern social democratic program – a people's party strategy and a commitment to reform capitalism rather than destroy it. In particular, Bad Godesberg proclaimed that the party “no longer considered nationalization the major principle of a socialist economy but only one of several (and then only the last) means of controlling economic concentration and power.”<sup>39</sup> In the program's well-known phrase, it committed the SPD to promoting “as much competition as possible, as much planning as necessary.” Bad Godesberg also attempted to reach beyond the working class by making clear the party's desire for better relations with the churches and its commitment to defending the country and supporting its military.

Finally, the Bad Godesberg program marked the triumph of social democracy through its clear, if implicit, severing of socialism from Marxism. It proclaimed:

Democratic socialism, which in Europe is rooted in Christian ethics, humanism and classical philosophy, does not proclaim ultimate truths – not because of any lack of understanding for or indifference to philosophical or religious truths, but out of respect for the individual's choice in these matters of conscience in which neither the state nor any political party should be allowed to interfere.

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<sup>38</sup> Ibid., 196.

<sup>39</sup> Gerard Braunthal, *The German Social Democrats Since 1969* (Boulder, CO: Westview Press, 1994), 18.

The Social Democratic party is the party of freedom of thought. It is a community of men holding different beliefs and ideas. Their agreement is based on the moral principles and political aims they have in common. The Social Democratic party strives for a way of life in accordance with these principles. Socialism is a constant task – to fight for freedom and justice, to preserve them and to live up to them.<sup>40</sup>

Bad Godesberg marked a clear shift in the SPD's stated identity and goals. Yet if somewhere Bernstein was smiling about his ultimate triumph over Kautsky, he might also have been a bit troubled, because the shift was at least as much pragmatic as it was principled, motivated by a desire to break out of a political ghetto rather than a decision to chart a bold course for the future. In a country where national socialism was a recent memory and "real, existing" socialism was being built next door, the wish to avoid ideology and grand projects is perhaps easy to understand. And it was made possible by the leadership transition to Ollenhauer, "a solid, loyal party functionary, a man dedicated to oiling the wheels of a smoothly running bureaucratic machine [who] was as far removed from the consuming political passions that fired Kurt Schumacher as anyone in the SPD could be."<sup>41</sup> But if the SPD's de-ideologization made it more palatable and less scary to voters – and did indeed eventually lead to an expansion of the party's support and its participation in government – it also had its drawbacks. In particular, it "rendered [the SPD] unserviceable as a nexus for creating and reproducing utopian aspirations,"<sup>42</sup> alienating from the party those dissatisfied with the status quo and looking to transform it into something better.

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<sup>40</sup> Bad Godesberg program, reprinted in Miller and Potthoff, *A History of German Social Democracy*, 275.

<sup>41</sup> Parness, *The SPD and the Challenge of Mass Politics*, 60.

<sup>42</sup> Philip Gorski and Andrei Markovits, *The German Left: Red, Green and Beyond* (New York: Oxford University Press, 1993), 44.

By the 1960s, therefore, the SPD's reorientation had opened up a political space to the party's left, a trend furthered by its increasing intolerance of intraparty disputes and its own activists, and the fall-out from its "Grand Coalition" with the CDU. When the pragmatic and centrist Helmut Schmid replaced Willy Brandt as Chancellor (after the latter's resignation) in 1974, the SPD's postwar transformation was complete.

Competent and determined, but lacking transformative goals or an ideological temperament, Schmidt focused on proving that his government, and the SPD more generally, was the most capable caretaker of Germany's domestic economy and international standing. Schmidt committed himself to maintaining and improving the living standards of Germany's citizens and committed the country to accepting NATO missiles on European soil. If successful on their own terms, however, these stances further alienated the left and, by tying the party's fortunes ever closer to the country's economy, made the SPD vulnerable to the economic downturn that began in the 1970s.

By the 1970s, in short, the SPD had become so integrated into the system, and so inflexible and ideologically exhausted, that the partial discrediting of its leadership by economic doldrums dealt it a blow from which it has yet to recover. Over the next generation, the party hemorrhaged members and increasingly became a home for the elderly and beneficiaries of the status quo. It lost the support of the young and the radical, as well as many of the poor, unemployed, and alienated. Many of the former turned left to the Greens, and some of the latter have lately turned to right and left-wing populism. Lacking anything distinctive to offer, the hollowed-out SPD now finds itself electorally vulnerable, subject to internal dissension, and increasingly unable to generate either enthusiasm or commitment from anybody.

In Italy and France, the left's trajectories were not entirely dissimilar, although it took even longer for socialists in both countries to make their peace with reality. In Italy, for example, the socialists "jettisoned what remained of [their] Marxist heritage" only in the 1970s.<sup>43</sup> When the PSI reestablished itself after the war, it quickly returned, like the SPD, to many of the same patterns and practices that had doomed it to irrelevance in the 1920s. Its initial postwar leader, Pietro Nenni, sought to ally, and even merge, with the Communists (the PCI), and believed that the party's foremost goal should be the immediate formation of a "socialist Republic." Such stances alienated the party's more moderate and social democratic elements, leaving the PSI weakened by infighting.

By 1947, Nenni's opponents had split off, leaving him free to dally with the Communists and reorganize the party along Leninist lines, thereby turning it into probably "most radical and, in a Marxist sense, fundamentalist, of all European socialist movements."<sup>44</sup> Despite, or probably because of this, the PCI soon overwhelmed the hapless PSI, becoming the main party of the left and wresting away control of many of the affiliated organizations of the labor movement.<sup>45</sup> This left the Italian center up for grabs, a situation that the Christian Democrats took full advantage of to become Italy's dominant party.

After many years of political irrelevance, the PSI was finally turned around by Bettino Craxi, who transformed it into a moderate reformist center-left party by the 1970s. At least initially, this strategy paid off and Craxi became the first socialist prime minister of Italy in 1983. Yet the party proved unable to build on this success and

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<sup>43</sup> Alexander De Grand, *The Italian Left in the Twentieth Century* (Indianapolis, IN: Indiana University Press, 1989), 161–2.

<sup>44</sup> Laqueur, *Europe Since Hitler*, 155.

<sup>45</sup> Di Scala, *Italy: From Revolution to Republic*, 280.

construct a distinctive and dynamic movement with broad appeal. It proved “too late to wrench the PCI’s strong grip from the masses,”<sup>46</sup> and in any case the PSI now lacked the type of clear ideological profile that might attract committed followers and engender real enthusiasm. Making matters worse, Craxi proved prone to the same weaknesses as other Italian politicians, and in the 1990s was convicted of accepting bribes and kickbacks. With a discredited leader and no particular *raison d’être*, Italian socialism’s renewal proved short-lived.

French socialism, finally, offers yet another dreary version of the same theme. After the war, the SFIO abandoned many of its traditional policy stances and positions, and most importantly ended its long-standing internal battles over whether to accept a position as junior partner in a governing coalition. Nevertheless, despite such changes, the party proved unable to make a full break with its past or drop its Marxist rhetoric. Its most prominent member, Léon Blum, vociferously urged a change of course and pushed for a socialism based on evolutionary rather than revolutionary change, one committed to appealing to “people in every walk of life” rather than one steeped in class warfare and worker exclusivity.<sup>47</sup> Yet his pleas were rejected, and at its first postwar congress in August 1945, the SFIO proclaimed:

The Socialist party is by its nature a revolutionary party. It aims at replacing capitalist private property by a society in which natural resources and the means of production are socially owned and classes have been abolished. Such a revolutionary transformation, though in the interest of all

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<sup>46</sup> Simona Colarizi, “Socialist Constraints Following the War,” in Spencer Di Scala, ed., *Italian Socialism* (Amherst, MA: University of Massachusetts Press, 1996), 151.

<sup>47</sup> Bruce Graham, *Choice and Democratic Order: The French Socialist Party* (New York: Cambridge University Press, 1994), 271–6; S. William Halperin, “Leon Blum and Contemporary French Socialism,” *Journal of Modern History*, 18, 3, September 1946.

mankind, is to be achieved only by the working class.... The Socialist party is a party of class struggle founded on the organized working class.”<sup>48</sup>

During the following years, the orthodox faction of the party continued to gain in strength. At the party’s 1946 congress, for example, this wing, under the leadership of Guy Mollet (who soon became the party’s general secretary), attacked Blum’s “watering down” of the party’s principles and condemned “all attempts at revisionism, notably those which are inspired by a false humanism whose true significance is to mask fundamental realities – that is, the class struggle.”<sup>49</sup>

Unsurprisingly, as a result the party’s membership declined from 354,000 in 1946 to 60,000 in 1960, while its share of the vote dropped from 23 percent in 1945 to 12.6 percent in 1962. Its bastions of support, furthermore, ended up being not the working classes, the young, or the more dynamic sectors of the economy, but rather middle-aged civil servants and professionals along with those who stood to lose from rapid social and economic change (such as textile workers and small farmers). As in Germany and Italy, meanwhile, one consequence of the SFIO’s rhetorical radicalism was that it provided an opening for the center-right – here in the form of Gaullism – to capture those groups alienated by the left and form a true cross-class coalition on the other side of the aisle, thereby becoming the dominant force in French political life.

The SFIO remained stuck in a rut up through the 1960s; continual electoral defeats, however, culminating in routs in 1968 and 1969, finally led to change. Mollet retired in 1969 and a new, more pragmatic organization, the *Parti socialiste* (PS), arose in 1971. It insisted on maintaining a clear left-wing profile, at least in part so it could form

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<sup>48</sup> Julius Braunthal, *History of the International 1864–1914* (New York: Praeger, 1967), 24.

<sup>49</sup> Joel Colton, *Léon Blum* (New York: Alfred Knopf, 1966), 459.

an alliance with the Communists. Indeed, the two forces eventually agreed on a unity program, the *Programme commun*, which committed the Communists to democracy and pluralism and the socialists to economic radicalism, including large-scale nationalizations. This combined front came to power in 1981 during an economic downturn by convincing voters it had the most promising and innovative solutions to France's contemporary problems.

Unfortunately, the socialists' economic program did not work out as hoped and the long-awaited socialist government soon found itself overseeing an economy in turmoil. Forced to act but with little else to fall back on, the socialists ended up making a dramatic volte face: By 1982, the PS had moved from advocating one of the most radical economic programs of any socialist party in Europe to implementing deflationary measures and dramatically cutting public spending. By the end of the twentieth century, in other words, the French socialists, like their German and Italian counterparts, had shown themselves able to win elections but could no longer explain to themselves or others why anyone should care.

Not all socialist parties suffered the same fate, of course. As usual, for example, the Swedes did very well – largely because, unlike most of their counterparts elsewhere, they understood and believed in what they were doing. The SAP was able both to prosper at the polls and maintain its distinctiveness by recognizing that the two tasks were, in fact, complementary: The party's ability to integrate individual policy initiatives into a larger social democratic whole ensured that it remained more vibrant and successful than most of its counterparts in the rest of Europe.

To be sure, the Swedish social democrats started off the postwar era in a better position than their counterparts elsewhere. They could build on their own governing record rather than struggle to reestablish their very existence as a party, and their country emerged in better shape from the war than did most others. But even more than luck and a head start, their success was due to the fact that they had fully internalized the core elements of social democratic ideology and devoted themselves to developing creative policies for putting them into practice.

Politically, the SAP worked during the postwar years to strengthen its hold over a broad cross-section of the Swedish electorate. Continuing the strategy it had embraced during the interwar years, the party directed its appeals not to workers alone but to the Swedish “people” (*Folk*) in general. In doing so, it exploited its wartime leadership role, loudly proclaiming its commitment to social solidarity and the national interest. There was no conflict between such positions and social democracy, the party insisted, because properly understood social democracy was all about advancing collective interests rather than those of a particular group or class. SAP appeals were saturated with references to “solidarity,” “cooperation,” and “togetherness.” This was especially true in discussions of plans for an expanded welfare state, which was presented as part of the SAP’s strategy for creating a “strong society” (*starka samhället*) and protecting the public from the uncertainties and insecurities inherent in modern capitalist. Economically, meanwhile, the SAP also continued along its prewar path of using state intervention to manage the economy and sever the link between individuals’ market position and their broader life chances. What made these efforts so distinctive was not only the sizable amount of intervention and decommmodification they involved, but also the way they were presented

as part of a larger, transformative project. The Rehn-Meidner model, for example, was sold not merely as a practical package of wage regulations but as a case study in the party's strategy of increasing "social control" over the economy without resorting to full-scale nationalization.<sup>50</sup> The Swedish welfare state was understood in a similar way. Its comprehensiveness and universalism helped "manufacture broad class (even cross-class) solidarity and social democratic consensus," while at the same time marginalizing "the market as the principal agent of distribution and the chief determinant of peoples' life chances."<sup>51</sup> The party consciously used social policy to expand its hold over the electorate and to develop a sense of common interests across classes.

Recognizing the growing importance of white-collar workers, for example, the SAP explicitly designed social policies that would appeal to them and tie their interests to those of other workers. This was particularly clear in the fight over supplemental pensions at the end of the 1950s, when the SAP "stressed the common interests of manual and white-collar workers [in such pensions] and the struggle for the[m] as of vital interest for all wage-earners."<sup>52</sup> As with increased economic management, moreover, welfare state enhancements were presented as valuable not only on their own terms but also as steps toward a better future. The party insisted that the welfare state itself represented a form of socialism, since under it "the total income of the people was regarded as a common resource and a portion of it was transferred to those with inadequate incomes.

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<sup>50</sup> Rudolf Meidner, "Why Did the Swedish Model Fail?" *Socialist Register*, 1993, 211. Also, Sven Steinmo, "Social Democracy vs. Socialism," *Politics and Society*, 16, December 1988.

<sup>51</sup> Esping-Andersen, *Politics Against Markets*, 245.

<sup>52</sup> Torsten Svensson, "Socialdemokratins Dominans" (Ph.D. Dissertation, University of Uppsala, 1994), 272.

All these strategies proved quite successful, and in the years after the war, the SAP was able to remain firmly anchored in the working class while strengthening its support well beyond it. It remained by far the largest party in the Swedish political system, used its dominance to shift the country's center of political gravity to the left, and built the greatest record of political hegemony of any party in a democratic country during the twentieth century.

Even this remarkable string of triumphs, of course, did not allow the party to escape unscathed from some of the problems that set back its counterparts elsewhere. The setbacks that the SAP suffered in the 1970s forced it, like its counterparts elsewhere, to reevaluate some of its traditional tactics and even strategies.<sup>53</sup> It even went through a period in the late 1980s when it appeared to be drifting intellectually and politically.<sup>54</sup> But because it had strong reserves of political, ideological, and intellectual capital to draw on, and had reshaped the political and social structure of Swedish society so extensively, in the end the party was able to weather the storm better than others. It bounced back politically, recaptured power in the 1980s, and although currently out of office, remains the dominant party in the Swedish political system (although it is not as hegemonic as before). It has maintained its ability to appeal to voters across much of the political spectrum and has managed to coopt many new "postmaterialist" issues (such as environmentalism and women's rights). And economically it recovered from the wage-earner funds fiasco by essentially promising the electorate that it would maintain traditional social democratic policies while updating them as appropriate to deal with contemporary challenges – something at which it has been relatively successful, having

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<sup>53</sup> Especially after the collapse of the party's wage-earner funds strategy. See

<sup>54</sup> Mark Blyth, *Great Transformations* (New York: Cambridge University Press, 2002).

overseeing impressive economic growth in recent years during its time in office, while still maintaining high levels of social spending and a commitment to egalitarianism and social solidarity.

Perhaps the SAP's greatest success, however, has been to preserve a sense of social democratic distinctiveness in Sweden.<sup>55</sup> Despite all the changes that have occurred in both the domestic and international economy over recent decades and the current existence of a bourgeois government, the vast majority of Swedes acknowledge and accept the SAP's basic ideas about the virtues of social solidarity, egalitarianism, and political control over the economy. Rather than questioning whether such social democratic concepts are worthwhile, political debate in Sweden has tended to be about whether the socialists or the bourgeois parties are best able to implement them together with steady growth.

### *Conclusions*

Correctly understood social democracy should be seen as a distinctive ideology and movement all its own, built on a belief in the primacy of politics and communitarianism and representing a non-Marxist vision of socialism. The term social democracy has thus been incorrectly applied to a wide range of groups, with unfortunate consequences for an understanding of the movement's true history and rationale. In addition, social democracy should also be seen as the most successful ideology and movement of the twentieth century: its principles and policies undergirded the most

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<sup>55</sup> Francis Castles, *The Social Democratic Image of Society* (London: Routledge and Kegan Paul, 1978).

prosperous and harmonious period in European history by reconciling things that had hitherto seemed incompatible—a well functioning capitalist system, democracy, and social stability.

Understanding social democracy's original rationale and gaining a renewed appreciation for its role in twentieth century political development is reason enough to reconsider the movement's history. It turns out, however, that there are other pressing reasons to do so as well, since many of the hard-earned insights of earlier ideological battles have been forgotten in recent years, as a shallow version of neoliberalism has come to exert an almost Gramscian hegemony over mainstream public debate.

Thanks to globalization, it is often said, the world is at the dawn of a new era. The spread of markets across the globe, and the deepening and quickening of economic interconnections accompanying it, is creating a fundamentally new situation for leaders and publics, imposing burdens while constraining choices. You can either opt out of the system and languish, or put on what Thomas Friedman has called neoliberalism's "Golden Straitjacket"—at which point "two things tend to happen: your economy grows and your politics shrinks."<sup>56</sup>

Globalization's onward march has produced a backlash too, of course, and antiglobalization protests have become a regular feature of contemporary life. Yet today's market boosters find it hard to understand what all the fuss is about. They point to the very real economic benefits that capitalism brings and the poor economic track record of non-market-based approaches to economic affairs, shake their heads, and dismiss the protestors as ignorant fools or adolescents acting out some personal

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<sup>56</sup> Thomas Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus, and Giroux, 1999), p. 87 [check]

psychodrama. If only the marchers could learn some math, they scoff, or learn to care about increasing the aggregate wealth of society as a whole rather than coddling a few special interests, everything would be fine.

What the neoliberals fail to recognize is that such narrow economic attitudes miss the point. Yes, capitalism is easily the best method ever discovered for producing growth. But that has never been, and is not today, the only issue. The real debate about markets has focused not simply, or even primarily, on their economic potential, but also on the broader impact they have on the lives of individuals and societies. Critics have worried, and still worry, not about whether unleashing markets will lead to economic growth, but about whether markets themselves will unleash morally and socially irresponsible behavior while eviscerating long-standing communities, traditions, and cultures.

We have seen that it was in response to precisely such concerns that social democracy first began to emerge a century ago. Democratic revisionists such as Bernstein saw that capitalism was not collapsing and seemed likely to be around for at least the medium term. They decided, accordingly, to try to reform and reshape it rather than destroy it. Democratic revisionists also recognized the need to counter the immense mobilizing power of nationalism and to offer something to the vast majority of people suffering from the injustices and dislocations of capitalism. Their successors a generation later built upon this foundation, arguing that the time had come to put aside calls for capitalism's collapse and instead focus on managing and directing markets. By the 1930s, social democrats recognized that markets and capitalism were not only here to stay, but were also an invaluable tool for producing growth and wealth. At the same

time, they never wavered in their insistence that while markets made great servants, they also made terrible masters. Capitalism might be necessary to insure an ever-increasing economic pie, but it had to be carefully regulated by states so that its negative social and political consequences could be kept in check. During the 1930s social democrats came to see as never before how widespread and powerful was the longing for some sort of communal identity and social solidarity, and that if they did not come up with some convincing response to this, other more nefarious movements would.

Whether or not the participants recognize it, in other words, today's battles over globalization are best viewed as simply the latest chapter in an ongoing debate over how to reconcile capitalism with democracy and social stability. Now as before, liberals who venerate markets uncritically and old-style leftists who are unwilling to recognize any good in them have little to offer the vast majority of people who recognize and want to share in capitalism's material benefits but who fear its social and political consequences. Since it was in response to precisely such concerns that social democracy first emerged a century ago, the best solutions to contemporary problems might very well be found in the movement's past.

In order to remain consistent with its history, a social democratic response to contemporary problems must have at its core a belief in the primacy of politics and commitment to using democratically acquired power to direct economic forces in the service of the collective good. For "true" social democrats, efficiency can be an important criterion for judging policy, but it should not be the only or even the most important one. Social democrats have traditionally accepted or tolerated the market because of its ability to provide the material basis upon which the good life could be

built, but have been unwilling to accept the market's primacy in social life. Accordingly, a social democratic path would maneuver between the the globophilia of neoliberalism and the globophobia of many current leftists and argue for a system that can promote real growth while making clear that markets need to be supervised and contained so as to minimize the the social and political ills that they inevitably bring in their wake.

Twenty-first century social democrats must also rediscover the value of communitarianism. In an increasingly diverse Europe, basing a call for social solidarity on shared ethnic or religious background is no longer a viable or attractive strategy. Social democracy's refashioned communitarian appeal will therefore have to be built upon more inclusive grounds--namely, shared values and responsibilities. Social democrats must make clear, in other words, since twenty-first century citizenship cannot be built on some fellowship of blood it must be based upon the acceptance of certain rules and norms. As one observer has put it, "The glue of ethnicity ('people who look and talk like us') has to be replaced with the glue of values ('people who think and behave like us')."<sup>57</sup>

To the charge that this smacks of coerced conformity, social democrats must respond that, with the theme of community once again becoming the provenance of the populist right (as has already begun to happen with groups ranging from the French National Front to the Austrian Freedom party), the alternative is far worse. As the founders of the social democratic movement understood, people have a deep-seated and ineradicable psychological need to feel part of a larger community—a need that the expanding reach of markets only intensifies as all that is solid melts into air. That need

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<sup>57</sup> Ibid, 32.

will be met one way or another, and if the democratic left cannot figure out how to do so, less savory forces will be more than glad to step into the breach.