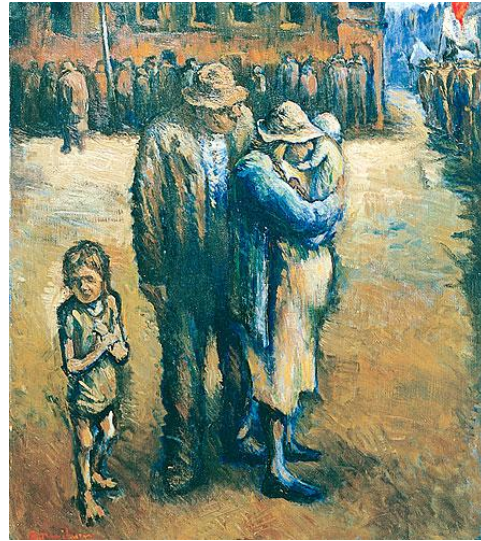


*Farewell to Social Democracy?**

By
John Keane



At the start of the March 1932 (1944), By Noel Counihan, Art Gallery of NSW

Mention the two words social democracy and most people today think of business-friendly governments, welfare states in far-off Scandinavia and champagne socialists sporting pink shirts. Things were not always so. In Europe, North America and Australia social democracy was once defined by its radical commitment to reducing social inequality caused by market failures. It stood proudly for political enfranchisement, minimum wages, unemployment insurance and curbing the extremes of wealth and indigence. It battled to empower middle-class and poorer citizens with better education and health care, subsidised public transportation and affordable public pensions.

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In many countries of the world, the spirit and substance of social democracy have since slipped, almost beyond the political horizon. Generalisations are risky, since for the moment there seems to be no obvious overall trend within the social democratic camp. In countries now suffering the chill winds of Great Stagnation, Britain, Ireland and Greece for instance, social democrats look tired and sound pessimistic; whereas in resource-rich countries such as Chile and Brazil, or Norway and Australia, where red-green governments are currently in office, there is a measure of guarded optimism about the political future of social democracy, backed up by commitments to big public investment projects, such as country-wide broadband networks, high-speed transport links and sovereign wealth funds.

Market Failures

Such differences need to be noted; but they should not divert attention from the basic fact that social democracy everywhere is losing political momentum. For much of its history, it stood firmly against the blind acceptance of market forces and their destructive impact upon people's lives. Social democracy was a rebel child of modern capitalism. Born during the 1840s, when the neologism Sozialdemokratie first circulated among disaffected German-speaking craftsmen and workers, social democracy fed upon the dynamism of markets. It hitched its fortunes to commercial and industrial expansion, which in turn produced skilled tradesmen, farm and factory workers, whose angry but hopeful sympathy for social democracy made possible the conversion of isolated pockets of social resistance into powerful mass movements protected by trade unions, political parties and governments committed to widening the franchise and building welfare state institutions.

Market failures deepened resentments among social democrats. They were sure that unbridled markets do not naturally lead to a happy world of Pareto efficiency, where everybody benefits from efficiency gains by capitalists. Their most straightforward charge was that free market competition always produces gaps between winners and losers and, eventually, a society defined by private splendour and public squalor. If Eduard Bernstein, Hjalmar Branting, Clement Attlee, Jawaharlal Nehru, Ben Chifley and other social democrats from last century were suddenly to reappear in our midst, they would not be surprised by the way most market-driven democracies are coming to resemble hour glass-

shaped societies, in which the small numbers of extremely rich have multiplied, the middle classes feel insecure and the ranks of the permanently poor swell. Consider the case of the United States, the richest market economy on the face of the earth: 1% of its households own 38% of the national wealth, while the bottom 80% of households own only 17% of national wealth. At the end of three decades of deregulated growth, a fifth of children live in poverty and a majority of middle class citizens reckon themselves vulnerable to unemployment, and to the humiliation joblessness brings.

Social democrats not only resisted social inequality. They railed against the general dehumanising effects of treating people as commodities. Social democrats acknowledged the ingenuity and productive dynamism of markets, but they were sure that love and friendship, birth and death, public debate and conversation could not be manufactured by commodity production, exchange and consumption alone. That was the whole point of their radical demand for Eight Hours Work, Eight Hours Recreation and Eight Hours Rest. Unless checked, the free-market propensity to ‘truck, barter and exchange one thing for another’ (Adam Smith’s words) destroys freedom, equality and social solidarity, or so they insisted. To reduce people to mere factors of production is to risk their death by market exposure. In the summer of 1945, the Hungarian social democrat Karl Polanyi put the point in defiant words: ‘To allow the market mechanism to be the sole director of the fate of human beings and their natural environment’, he wrote, ‘would result in the demolition of society’. His reasoning was that human beings are ‘fictitious commodities’. His conclusion: “‘labour power’ cannot be shoved about, used indiscriminately, or even left unused’.

The insistence that human beings are neither born nor bred as commodities proved far reaching. It explains the conviction of Polanyi and other social democrats that decency would never spring automatically from capitalism, understood as a system that turns nature, people and things into commodities, exchanged through money. Dignity had to be fought for politically, above all by weakening market forces and strengthening the hand of the commonweal against private profits and self interest. But more than a few social democrats went further. Chastened by the long depression that broke out during the 1870s, then by the catastrophes of the 1930s, they pointed out that unfettered markets are disastrously prone to collapse. Economists of recent decades have regularly described

these failures as ‘externalities’ but their jargon is misleading, or so many social democrats once insisted. It is not just that firms produce unintended effects, ‘public bads’ like pollution and urban over-crowding, that do not figure in corporate balance sheets. Something more fundamental is at stake. Free markets periodically cripple themselves, sometimes to the point of total breakdown, for instance because they whip up socially destructive storms of technical innovation (Joseph Schumpeter’s point) or because, as we know from recent bitter experience, unregulated markets generate bubbles whose inevitable bursting bring whole economies suddenly to their knees.

What Was Socialism?

There was always muddle over the meaning of the ‘social’ in social democracy; and there were bust ups about whether and how the taming of markets, which many called ‘socialism’, could be achieved. The great moments of high drama, strife and luscious irony need not detain us; they form part of a recorded history that includes the courageous struggles to form co-operatives, friendly societies and free trade unions, the fractious splits that gave birth to Bolshevism, the xenophobia, outbursts of nationalism and (in Sweden) experiments with eugenics, the re-launch of social democratic parties at the Frankfurt Declaration of the Socialist International (1951), the efforts to nationalise railways and heavy industry, the romantic talk of alienation and the right to be lazy, the utopian vision of a society in which women and men went hunting in the morning, raised cattle in the afternoon and, after a good dinner, engaged others in frank political discussion.

A strange feature of the history of social democracy is just how distant these details now feel. Its parties have run out of steam; their loss of energy and political vision is palpable. Gone are the flags, historic speeches and bouquets of red roses. Loud calls for greater equality, social justice and public service have faded; as if to prove that social democracy was just a brief interlude between capitalism and more capitalism, there is much talk of ‘growth’ and ‘competition’, public-private partnerships, ‘stakeholders’ and ‘business partners’. Within the dwindling ranks of committed social democrats, few now call themselves socialists, or even social democrats; most are party faithful, machine operators, connoisseurs of governmental power geared to free markets.

The trend prompts two simple questions: Why did it happen? Was it necessary? The answers are naturally complicated, yet one thing is clear: social democracy did not lose ground to market economics simply because of cack-handed opportunism or political timidity. Social democrats were democrats. In choosing to tramp the parliamentary road they wisely cut a path between two devilish options: communism and anarcho-syndicalism. Social democrats foresaw that the 19th-century utopia of abolishing markets would prove disastrous, either because it required full state take-over of economic life (that was Hayek's prediction in *The Road to Serfdom* [1944]) or because it supposed, in equally fanciful terms, that a united working class was capable of replacing states and markets with social harmony through *autogestion*.

Refusing these unpalatable options implied the duty to reconcile parliamentary democracy and capitalism. Australia's John Christian Watson formed the first-ever country-wide social democratic government, from which time (1904) social democrats quickly learned that trade unions are not the only bodies whose members go on strike. Businesses do the same thing, usually with more ruinous effects, which rebound on both government and society. Many social democrats concluded that serious meddling with market forces would result in political suicide. So they opted for pragmatism, to a form of 'socialism without doctrines', as the French traveller and future Minister of Labour Albert Metin observed when visiting the Antipodes at the time of Federation. The favourite quip of Lionel Jospin, 'we reject the market society' but 'accept the market economy', was part of this gradualist trend. Gerhard Schroeder's 'the New Centre' ran in the same direction. Others refused to beat around the bush. 'Don't ever put up income tax, mate', Paul Keating told the young Tony Blair before New Labour swept to office in Britain in 1997. 'Take it off them anyhow you please but do that and they'd rip your f***ing guts out.'

Party Machines

'Look, mate,' Blair might have replied, 'we should have the guts to say that free markets without active government intervention and progressive taxation widen the gap between rich and poor, which is something our movement always stood against.' He didn't, partly because hard-nosed advice of the Keating kind had by then become the universal anthem of social democracy. The Third Way anthem actually had two verses, the first for the

market and the second against. I once witnessed the fabulist Tony Blair reassure a gathering of trade unionists that he was against free market forces before moving on, two hours later, to tell a group of business executives exactly the opposite. The Great Stagnation seems to have amplified the duplicity. Many social democrats, and not just Anna Bligh in Queensland, sermonise the advantages of private enterprise, preach the importance of getting markets working again so that state budgets can return to surplus for the sake of AAA credit ratings.

The inability or unwillingness to see beyond the politics of blind dependency upon dysfunctional markets are now a source of great crisis within the social democratic parties of the Netherlands, Ireland, the United Kingdom and a host of other countries. The vagaries of their own political machinery are not helping matters. The history of social democracy is usually told in terms of the struggle to form trade unions and political parties geared to winning office. The narrative makes sense because the decision of social democrats to enter electoral politics and to abandon the path of revolution, either through vanguard parties or syndicalist strikes, paid off as a political calculation.

The call by social democrats to ‘use the Parliamentary machinery that in the past has used them’ (the words of the Labor Defence Committee following the defeat of the Great Maritime Strike of 1890 in Australia) changed the course of modern history. Parliamentary government had to make way for working class parties; thanks more often than not to social democracy, women won the right to vote; and whole capitalist economies were forced to become more civilised. Minimum wages, compulsory arbitration, government-supervised health care systems, public transport, basic state pensions and public service broadcasting: these were just some of the institutional victories won by social democracy through hard-nosed political imagination.

The progress was impressive, sometimes to the point where the absorption of social democratic demands into mainstream democratic politics gradually had the effect (it seemed) of turning every fair-minded person into a social democrat, even in America, where they are still called ‘progressives’ and ‘liberals’. Yet the victories of social democracy had a high price, in that its preferred vehicle of change, the mass political party machine, soon fell under the spell of cliques and caucuses, backroom men, fixers and spinners. ‘Where there is organisation, there is oligarchy’ was the early verdict issued

by Robert Michels when analyzing trends within the German Social Democratic Party, at the time (1911) the biggest, most respected and feared social democratic party in the world. Whatever is thought of his so-called 'iron law of oligarchy', the formulation served to pinpoint decadent trends that now bedevil social democratic parties everywhere.

When looking with a sober eye at the way they are today run a visitor from another era, or another planet, might easily conclude that those who control these parties would prefer to expel most of their remaining members. The situation is worse, more tragic than Michels predicted. He feared that social democratic parties would become totalitarian proto-states within states. Today's social democratic parties are nothing like that. Oligarchies they are, but oligarchies with a difference. Not only have they lost public support. They have become objects of public contempt.

Membership of these parties has dipped dramatically. Accurate figures are hard to obtain, but we know that in 1950, the Norwegian Labour Party, one of the most successful in the world, had over 200,000 paid-up members; today its membership is barely one-quarter that figure. Much the same trend is evident within the British Labour Party, whose membership peaked in the early 1950s at over 1 million and is today less than one-sixth that figure; during Blair's years of leadership alone, membership declined steadily every year from 405,000 to 166,000. When it is considered that during the overall period the size of the electorate in most countries has been steadily increasing (by 20% between 1964 and 2005 in Britain alone) the proportion of people who are no longer members of social democratic parties is far more substantial than even the raw numbers suggest.

The figures imply a profound waning of enthusiasm for social democracy in party form. Satirists might say that its parties are waging a struggle for self-effacement. Australia is no exception; in global terms, the degenerative disease afflicting its social democracy establishment is actually trend-setting. Since the DLP split in 1954, active national membership has fallen ten times, to below 8,000 supporters. Enthusiasms that fed battles for the universal franchise have long ago waned. The advance of multi-media communications meanwhile has made it easier for the party to collar voters directly, especially during elections. Funding methods have changed as well. The old strategy of recruiting members and extracting small donations from supporters has long been abandoned. Like free grog at a public festival, state support for electoral victory, at

roughly two dollars a vote, is available on tap; when in office, uncapped parliamentary expenses and discretionary government funds go some way to plugging the remaining gaps, especially when targeted at marginal seats. Then there is a simpler, if less tasteful option: charging private lobbyists ‘access fees’ (Bob Carr’s going rate was \$100,000) and soliciting large donations from corporate organizations and wealthy individuals.

The time has passed when the party ran on the juices of trade unionists and individual citizens volunteering to display election posters. Signing party-sponsored petitions seems so twentieth century. Equally passé is the hand delivery of party leaflets during an election, attendance at party rallies and canvassing voters on the doorstep. The age of state funding and big money has arrived. So has the age of petty corruption. Dominated by small oligarchies, social democratic parties, not only in Australia, specialise in machine politics and its corrupting effects: cunning plots, branch stacking, factional appointments, think tanks that no longer think, perks for donors and party staffers.

The New Tree Green

It is sometimes said that the membership pools of social democratic parties are evaporating because the political marketplace grows ever more competitive. The blarney hides a living fact: we have entered an age of rising public awareness of the destructive effects of the modern will to dominate our biosphere, to treat nature, just as Africans or indigenous peoples were treated previously, as objects to be shackled and muzzled for selfishly human ends.

Green thinkers, politicians and movement activists have been pointing out for some time that the whole social democratic tradition, no matter what its current representatives say, is deeply implicated in the acts of wanton vandalism that are now rebounding on our planet. Middle-of-the-road social democratic parties are accused of being trapped in a dead end. Whether social democracy can recover by morphing into something it was never designed to be is unclear. What is certain is that green politics poses a fundamental challenge to both the style and substance of social democracy, or what remains of it.

Armed with fresh political imagination, greens have managed to craft new ways of shaming and chastening arrogant power elites. Some activists, a dwindling minority,

mistakenly think that the priority is to live simply, in harmony with nature, or to return to the face-to-face ways of Greek assembly democracy. Most greens have a much richer sense of the complexity of things. They are champions of extra-parliamentary action and monitory democracy against the old model of electoral democracy in territorial state form. The invention of bio-regional assemblies, green political parties (the first in the world was the United Tasmania Group), earth watch summits and the skilful staging of non-violent media events are just some of the vigorous repertoire of new tactics used in various cross-border settings.

The earthy cosmopolitanism of green politics, its deep sensitivity to the long-distance interdependence of peoples and their ecosystems, is new. Its rejection of fossil-fuelled growth and habitat destruction is unconditional. It is acutely aware of the marked upswing in the application of markets to the most intimate areas of everyday life, such as fertility outsourcing, nanotechnologies, and stem cell research. It worries that more market regulation of daily life will have deleterious effects, unless checked by open debate, political resistance and public regulation.

Especially striking is the green call for the *de-commodification* of the biosphere, in effect, the replacement of social democracy's innocent attachment to History with a more prudent sense of deep time that highlights the fragile complexity of the biosphere and its multiple rhythms. Some greens demand a halt to consumer-driven 'growth'; others call for green investments to trigger a new phase of post-carbon expansion. Almost all greens reject the old social democratic imagery of warrior male bodies gathered at the gates of pits, docks and factories, singing hymns to industrial progress, under smoke-stained skies. Greens find such images worse than antiquated. They interpret them as bad moons, as warnings that unless we human beings change our ways with the world things may turn out badly - very badly indeed.

Under Another Name

It is worth asking whether these novelties are evidence of a black swan moment in human affairs. Are we living through a rare period of rupture analogous, say, to the early decades of the nineteenth century when the rough-and-tumble resistance to market-driven

industrial capitalism slowly but surely morphed into a highly disciplined workers' movement receptive to the siren calls of social democracy?

It is impossible to know with utter certainty whether our times are like that, although it should be noted that many green analysts of social democracy are convinced that a tipping point has indeed been reached. In Germany, the best-selling *It's The End of the World As We Know It* by Claus Leggewie and Harald Welzer indicts 'oiloholic societies' for their 'culture of waste' and 'civil religion of growth'. Realpolitik is condemned as a 'complete illusion'. Chinese-style Green Deals and other forms of state-imposed ecology are deemed dangerous, because undemocratic. What is needed, they say, is more extra-parliamentary opposition that initially targets the 'mental infrastructures' of citizens. Similar sentiments, minus inspiration from R.E.M., are echoed locally by Clive Hamilton. Social democracy 'has served its historical purpose', he writes, 'and will wither and die as the progressive force' in modern politics. What is now needed is a new 'politics of wellbeing' based on the principle that 'when the values of the market intrude into areas of life where they do not belong' then 'measures to exclude them' need to be taken.

The analyses are searching, thoughtful, apocalyptic, shy of markets, short on political strategy and much too moralizing. They still have a poor understanding of how to build a new politics of *noblesse oblige* geared to seducing, threatening, legally forcing businesses to honour their social and environmental duties, this time on a global scale. These green perspectives nevertheless pose questions that are fundamental for the future of democracy. They certainly put pressure on those who still think of themselves as social democrats to come clean on many questions. In effect, the new green politics insists that the point is not only to change the world, but also to interpret it in new ways. It pointedly asks whether the rudderless ship of social democracy can survive the rough seas and buffeting winds of our age. Greens ask: what is the social democratic formula for handling Japanese-style Great Stagnation, state budget cutting within hourglass-shaped societies, public disgruntlement with political parties and the rising perception that carbon-driven, credit-fuelled mass consumption has become unsustainable on planet Earth?

Many social democrats reply by emphasizing the flexibility of their creed, the capacity of their originally nineteenth-century standpoint to adapt to twenty-first circumstances. They are adamant that it is much too early to bid farewell to social

democracy; they reject the charge that it is a worn-out ideology whose moments of triumph belong to the past. These social democrats admit the goal of building social solidarity among citizens through state action has been damaged by the fetish of free markets and fudged agendas designed to win votes from business and right-wing competitors. They sense the exhaustion of the old slogan Eight Hours Work, Eight Hours Recreation, Eight Hours Rest. They recognise that the spirit of social democracy was once infused with the vibrant vocabulary of other moral traditions, such as the Christian distaste for materialism and extremes of wealth. They admit to being impressed by the eye-catching civic initiatives of groups such as Greenpeace, Emergency, Transparency International and the World Social Forum, whose actions aim not only to put a stop to the violence of states, armies and gangs, but also to corporate misconduct and market injustices in cross-border settings.

These thinking social democrats ask where else twenty-first century defenders of social democracy can turn for fresh moral guidance. This often leads them leftwards, towards the realisation that green experts, movements and parties are potentially poised to wage the same struggle against market fundamentalism that social democracy began over a century and a half ago. If the potential can be realised, and if red was mixed into green, then more than shades of neutral brown would result. The metamorphosis would rather confirm an old political axiom: when people fight for just causes the battles they lose sometimes inspire others to carry on their fight with new and improved means, under an entirely different name.

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