

The Third Way

The Renewal of
Social Democracy

ANTHONY

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SPEAKS

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Polity

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Preface

I intend this short book as a contribution to the debate now going on in many countries about the future of social democratic politics. The reasons for the debate are obvious enough – the dissolution of the ‘welfare consensus’ that dominated in the industrial countries up to the late 1970s, the final discrediting of Marxism and the very profound social, economic and technological changes that helped bring these about. What should be done in response, and whether social democracy can survive at all as a distinctive political philosophy, are much less obvious.

I believe social democracy can not only survive, but prosper, on an ideological as well as a practical level. It can only do so, however, if social democrats are prepared to revise their pre-existing views more thoroughly than most have done so far. They need to find a third way. As I explain in the text, the term ‘third way’ is of no particular significance in and of itself. It has been used many times before in the past history of social democracy, and also by writers and politicians of quite different political persuasions. I make use of it here to refer to social democratic renewal – the present-day version of the periodic rethinking that social democrats have had to carry out quite often over the past century.

In Britain ‘third way’ has come to be associated with the politics of Tony Blair and New Labour. Tony Blair’s political beliefs have frequently been compared to those of the New Democrats in the US, and indeed there have been close and direct contacts between New Labour and the New Democrats. It has been said that ‘like the Thatcher and

Major governments, the Blair government looks across the Atlantic for inspiration, not across the channel. Its rhetoric is American, the intellectual influences which have shaped its project are American; its political style is American.’¹

The statement is not wholly true. Labour’s welfare to work programme, for instance, may have an American-style label, but arguably draws its inspiration more from Scandinavian active labour market programmes than from the US. In so far as the observation is valid, however, the emphasis is one that needs correcting. The debate around New Labour, lively and interesting though it is, has been carried on largely in ignorance of comparable discussions that have been going on in Continental social democracy for some while. Tony Blair’s break with old Labour was a significant accomplishment, but a similar sort of break has been made by virtually all Continental social democratic parties.

In many respects the debate in the UK needs to catch up with the more advanced sectors of Continental social democracy. Yet the UK is also in a position to contribute actively to the new ideas now emerging. Rather than merely appropriating American trends and notions, Britain could be a sparking point for creative interaction between the US and Continental Europe. Most countries on the Continent have not experienced lengthy periods of neoliberal government as the UK has. Whatever else Thatcherism may or may not have done, it certainly shook up British society. Margaret Thatcher, like most other neoliberals, was no ordinary conservative. Flying the flag of free markets, she attacked established institutions and elites, while her policies lent further force to changes already sweeping through the society at large. The Labour Party and its intellectual sympathizers first of all responded largely by reaffirming old left views. The electoral setbacks the party suffered by so doing, however, necessarily stimulated a new orientation.

As a consequence, political discussion in the UK in some ways has been more free thinking than in social democratic circles on the Continent. Ideas developed in Britain could have direct relevance to the Continental debates, as these have mostly unfolded against a different backdrop.

This book grew out of a series of informal evening discussion meetings between myself, Ian Hargreaves and Geoff Mulgan, both of whom I would like to thank. Originally we were going to produce a collective document about the revival of social democracy. For various reasons this didn't materialize, but I have drawn much inspiration from our meetings. I must especially thank David Held, who meticulously read several versions of the manuscript and whose comments were crucial for the restructuring of the text that I subsequently carried out. Among others who helped me a great deal are Martin Albrow, Ulrich Beck, Alison Cheevers, Miriam Clarke, Amanda Goodall, Fiona Graham, John Gray, Steve Hill, Julian Le Grand, David Miliband, Henrietta Moore and Anne Power. I owe a particular debt to Alena Ledeneva, who not only contributed extensively to the book as a whole but prompted me to continue whenever I became discouraged - which was quite often.

1

Socialism and After

In February 1998, following a policy seminar with the American leadership in Washington, Tony Blair spoke of his ambition to create an international consensus of the centre-left for the twenty-first century. The new approach would develop a policy framework to respond to change in the global order. 'The old left resisted that change. The new right did not want to manage it. We have to manage that change to produce social solidarity and prosperity.'¹ The task is a formidable one because, as these statements indicate, pre-existing political ideologies have lost their resonance.

A hundred and fifty years ago Marx wrote that 'a spectre is haunting Europe' - the spectre of socialism or communism. This remains true, but for different reasons from those Marx had in mind. Socialism and communism have passed away, yet they remain to haunt us. We cannot just put aside the values and ideals that drove them, for some remain intrinsic to the good life that it is the point of social and economic development to create. The challenge is to make these values count where the economic programme of socialism has become discredited.

Political ideas today seem to have lost their capacity to inspire and political leaders their ability to lead. Public debate is dominated by worries about declining moral standards, growing divisions between rich and poor, the

stresses of the welfare state. The only groups which appear resolutely optimistic are those that place their faith in technology to resolve our problems. But technological change has mixed consequences, and in any case technology cannot provide a basis for an effective political programme. If political thinking is going to recapture its inspirational qualities, it has to be neither simply reactive nor confined to the everyday and the parochial. Political life is nothing without ideals, but ideals are empty if they don't relate to real possibilities. We need to know both what sort of society we would like to create and the concrete means of moving towards it. This book seeks to show how these aims can be achieved and political idealism revived.

My main point of reference is Britain, although many of my arguments range more widely. In the UK, as in many other countries at the moment, theory lags behind practice. Bereft of the old certainties, governments claiming to represent the left are creating policy on the hoof. Theoretical flesh needs to be put on the skeleton of their policy-making – not just to endorse what they are doing, but to provide politics with a greater sense of direction and purpose. For the left, of course, has always been linked to socialism and, at least as a system of economic management, socialism is no more.

The death of socialism

The origins of socialism were tied up with the early development of industrial society, somewhere in the mid to late eighteenth century. The same is true of its principal opponent, conservatism, which was shaped in reaction to the French Revolution. Socialism began as a body of thought opposing individualism; its concern to develop a critique of capitalism only came later. Before it took on a very specific meaning with the rise of the Soviet Union, communism

overlapped heavily with socialism, each seeking to defend the primacy of the social or the communal.

Socialism was first of all a philosophical and ethical impulse, but well before Marx it began to take on the clothing of an economic doctrine. Marx it was, however, who provided socialism with an elaborated economic theory. He also placed socialism in the context of an encompassing account of history. Marx's basic position came to be shared by all socialists, no matter how sharp their other differences. Socialism seeks to confront the limitations of capitalism in order to humanize it or to overthrow it altogether. The economic theory of socialism depends upon the idea that, left to its own devices, capitalism is economically inefficient, socially divisive and unable to reproduce itself in the long term.

The notion that capitalism can be humanized through socialist economic management gives socialism whatever hard edge it possesses, even if there have been many different accounts of how such a goal might be achieved. For Marx, socialism stood or fell by its capacity to deliver a society that would generate greater wealth than capitalism and spread that wealth in more equitable fashion. If socialism is now dead, it is precisely because these claims have collapsed. They have done so in singular fashion. For some quarter of a century following World War II, socialist planning seemed here to stay in both West and East. A prominent economic observer, E.F.M. Durbin, wrote in 1949, 'we are all Planners now ... The collapse of the popular faith in *laissez faire* has proceeded with spectacular rapidity ... all over the world since the War.'²

Socialism in the West became dominated by social democracy - moderate, parliamentary socialism - built upon consolidating the welfare state. In most countries, including Britain, the welfare state was a creation as much of the right as of the left, but in the post-war period socialists came to

claim it as their own. For at least some while, even the much more comprehensive planning adopted in the Soviet-style societies appeared economically effective, if always politically despotic. Successive American governments in the 1960s took seriously the claim that the Soviet Union might overtake the US economically within a further thirty years.

In hindsight, we can be fairly clear why the Soviet Union, far from surpassing the US, fell dramatically behind it, and why social democracy encountered its own crises. The economic theory of socialism was always inadequate, underestimating the capacity of capitalism to innovate, adapt and generate increasing productivity. Socialism also failed to grasp the significance of markets as informational devices, providing essential data for buyers and sellers. These inadequacies only became fully revealed with intensifying processes of globalization and technological change from the early 1970s onwards.

Over the period since the mid-1970s, well before the fall of the Soviet Union, social democracy was increasingly challenged by free market philosophies, in particular by the rise of Thatcherism or Reaganism - more generically described as neoliberalism. During the previous period, the idea of liberalizing markets seemed to belong to the past, to an era that had been superseded. From being widely seen as eccentric, the ideas of Friedrich von Hayek, the leading advocate of free markets, and other free market critics of socialism suddenly became a force to be reckoned with. Neoliberalism made less of an impact upon most countries in Continental Europe than upon the UK, the US, Australia and Latin America. Yet on the Continent as elsewhere, free market philosophies became influential.

The categories of 'social democracy' and 'neoliberalism' are wide, and have encompassed groups, movements and parties of various policies and persuasions. Even though

each influenced the other, for example, the governments of Ronald Reagan and Margaret Thatcher followed different policies in some contexts. When Thatcher first came to power, she did not have a fully fledged ideology, which was developed as she went along. Thatcherite policies followed by 'left' parties, as in New Zealand, have put a different cast again upon key policy beliefs. Moreover, neoliberalism has two strands. The main one is conservative – the origin of the term 'the new right'. Neoliberalism became the outlook of many conservative parties the world over. However, there is an important type of thinking associated with free market philosophies that, in contrast to the conservative one, is libertarian on moral as well as economic issues. Unlike the Thatcherite conservatives, for example, libertarians favour sexual freedom or the decriminalizing of drugs.

Social democracy is an even broader and more ambiguous term. I mean by it parties and other groups of the reformist left, including the British Labour Party. In the early post-war period, social democrats from many different countries shared a broadly similar perspective. This is what I shall refer to as old-style or classical social democracy. Since the 1980s, in response to the rise of neoliberalism and the problems of socialism, social democrats everywhere have started to break away from this prior standpoint.

Social democratic regimes in practice have varied substantially, as have the welfare systems they have nourished. European welfare states can be divided into four institutional groups, all of which share common historical origins, aims and structures:

- the UK system, which emphasizes social services and health, but tends also to have income-dependent benefits;
- Scandinavian or Nordic welfare states, having a very high tax base, universalist in orientation, providing