

**Legitimation through Integration: Explaining the ‘New’
Social Democratic turn to Europe**

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Thesis submitted for the degree of Ph.D.

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Abstract.

The turn towards European integration by social democratic parties across the European Union has thus far been inadequately explained. Existing explanations are unable to account for the anticipation that traditional social democratic 'market-correcting' policies can be successfully promoted at the EU-level despite the lack of opportunities to do so. This thesis argues that the 'new' social democratic turn to Europe has enabled social democratic parties to retain a degree of ideological continuity despite the necessary retrenchment of social democracy, thereby contributing to the ongoing (yet increasingly problematic) legitimization of social democracy and the continued maintenance of a viable social democratic constituency. The turn to Europe has provided social democratic parties with the possibility of re-regulating 'globalisation' at the supranational level, thereby cohering with the traditional social democratic practice of promoting market-correcting public policy within institutions of representative democracy. However, there exist sizeable institutional obstacles to the implementation of such an agenda which prevent its realisation. Based on a theoretical discussion of the decline of 'traditional' social democracy, the thesis argues that the moderation of 'traditional' social democratic aims was necessary due to the inability to maintain an expansion of redistributive market-correcting regulations within institutions of representative democracy beyond the medium term. The 'new' social democratic turn to Europe enables redistributive market-correcting policies to be promoted, yet not realised, at the EU-level. Moreover, the non-realisation of a social democratic agenda at the European level can be understood in terms of the

institutional obstacles to policy implementation at the supranational level, thereby partly obfuscating the failure of 'traditional' social democracy and contributing to its ongoing legitimization. This argument is illustrated through case studies of social democratic parties in the UK, Sweden, France, Spain and Italy, and at the European level.

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Chapter 1 – The Paradoxical Social Democratic turn to Europe

During the 1980s and 1990s, west European social democratic parties became increasingly positive about the political opportunities that exist within the institutions of the European Union (Holmes and Lightfoot, 2002; Hooghe, Marks and Wilson, 2002; Sassoon, 1996; Marlière, 2001). In particular, the European Union has come to be portrayed within social democratic circles as a means to influence socio-economic processes that are increasingly (perceived as) difficult to influence through the institutions of the nation-state, through the promotion of market-correcting public policy at the supranational level (see, for instance, Douglas, 2002; Hirst, 1999; Hay, 2002a). At the same time, however, a strong current within contemporary academic and political opinion argues that attempts to implement substantive market-correcting policy at the European level are destined to failure due to the obstacles to integrating several pre-existing political systems into one single one (Streeck, 1996, 2001; Scharpf, 1999; Leibfried and Pierson, 2000). These obstacles therefore make the attempt by social democratic actors to re-acquire political influence through political action at the supranational level seem paradoxical. Indeed, as Notermans points out with regard to economic and monetary union:

Given that it would seem to institutionalise a form of economic policymaking foreign to traditional social democratic concepts, and that it at times has been met with rather

pronounced scepticism on the part of the electorate and party membership, the solid social democratic support in favour of monetary integration may indeed seem puzzling (Notermans, 2001: 5).

It is in the light of this paradox that the present thesis seeks to explain the turn to pro-Europeanism witnessed in social democratic parties across the European Union. The thesis is therefore also implicitly concerned with answering the question of whether (as hoped by many within the social democratic movement) the process of European integration represents a viable institutional opportunity within which social democratic parties can successfully promote a reinvigorated social democratic agenda following the declining fortunes of such an agenda at the national level. The present chapter represents an introduction to this investigation. It begins with an outline of the context within which the investigation is set, showing how social democratic parties have increasingly come to support the EU. Following this, the chapter will outline the substantial obstacles to positive political integration at the EU-level, and show how these obstacles have prevented (and are likely to prevent in the future) the adoption of substantive market-correcting initiatives at the supranational level, whilst European integration has simultaneously limited the scope for such initiatives at the national level as well. The chapter will proceed by outlining existing explanations for this paradoxical social democratic turn to Europe. These explanations will be shown to be inadequate due to either their inconsistency with empirical evidence or their inability to account for social democratic motives within a European Union that seemingly limits the scope for realising social

democratic aims.

1.1. A note on the definition of social democracy

As ‘social democracy’ and ‘social democratic parties’ form the subject of this investigation, it is necessary to briefly discuss what it is that we mean when we refer to these entities. Indeed, without a proper definition of social democracy it becomes extremely difficult for us to discuss the ‘social democratic turn to Europe’. However, in seeking to define ‘social democracy’ we immediately encounter a significant problem in that ‘the term ‘social democracy’, the substantive ‘social democrat’, or the adjective ‘social democratic’ can be used to refer to a number of different realities’ (Marlière, 1999: 1). Further, in seeking to define a currently practiced political ideology, as pursued by currently active strategic political parties, the task of defining social democracy immediately runs into the problem that, not only does ‘social democracy’ mean different things to different people, but that meaning is also subject to changes and revisions over time (see, for instance, Clasen, 2002; Callaghan, 2003). Thus, in the late 19th century ‘social democracy’ referred to political attempts to implement Marxism, whilst in the post-1945 period it came to be associated with the acceptance by ideological moderate and pragmatic political actors of the ongoing existence of capitalism, and from the 1990s onwards has been employed to refer to *both* the expansion of the universal welfare state *and* the shift towards means-testing and the more effective commodification of labour within the international labour market (although not usually by the same people) (cf. Esping-Andersen, 1990;

Gamble and Wright, 1999). Indeed, in order to overcome this ambiguity, many commentators and political actors seek to distinguish between 'new' and 'traditional' social democracy. Finally, to further complicate attempts to define 'social democracy', a distinction is often made between the type of social democracy that exists (or has existed) in northern and southern Europe, with northern European social democracy often associated with a highly organized, bureaucratic party machine closely associated with a strong organized labour movement and a moderate stance towards capitalism, in contrast to a much more loosely organized party, weak links to organised labour and more outright hostility towards capitalism in southern Europe. Indeed, this distinction between northern and southern European social democracy at one time reached the point where, for southern European social democratic parties, who preferred to see themselves as democratic socialists, 'the very notion of 'social democracy' or the substantive 'social democrat' almost constituted a term of abuse', coming to be viewed as 'synonymous with excessive compromise with capitalism and a tag of ideological vacuum' (Marlière, 2001: 6-7; see also Thomson, 2000; Marlière, 1999: 5-6). Attempts to define social democracy, then, face serious difficulties in terms of finding common elements that form its essence. Indeed, 'it is really quite unclear when and what Social Democracy is or was' (Powell, 2004: 5).

Nevertheless, despite these difficulties in defining 'social democracy', I have referred in the preceding introductory statement, and will refer throughout the thesis, to 'social democratic parties' and the 'social democratic turn to Europe'. It is necessary, therefore, to outline what I mean by these terms. Firstly, given the ongoing changes being made to the ideology of 'social democracy' by its

advocates and commentators, as noted above, I do not claim within this thesis that there is an essential 'social democracy' which forms the subject of my investigation. Indeed, in recognising that social democracy is a historically-specific and ongoing political project, I argue that social democracy is *necessarily* reproduced and/or transformed on a daily basis and (for this reason) has been subject to a number of important changes throughout its historical development. In this sense, then, to coin Herbert Morrison's famous phrase, 'social democracy' is what social democrats (and social democratic commentators) claim it to be at any particular historical point. However, despite employing this non-essential definition of social democracy as an historically-specific and shifting political doctrine, I will argue that, for most of its history, the various forms that social democracy has adopted have had in common the attempt to implement progressively redistributive public policies through institutions of representative democracy located within market economies (although this point is contingent, and so, in keeping with the claims to non-essentialism outlined above, if social democrats rejected this strategy but continued to call their political project 'social democracy' this would not negate the social democratic-ness of that project) (see chapters two and three for a more detailed elaboration of this claim).

However, despite arguing that there exists no essential 'social democracy', I do think it is possible to identify 'social democratic parties'. Indeed, in keeping with the argument made above, I will term social democratic parties (unsurprisingly) those parties which we generally refer to as 'social democratic'. For the purposes of this study, therefore, and in keeping with the practice adopted

by most commentators who have written in the past two decades, social democratic parties will be considered to be those parties that are members of the Socialist International. Thus, despite differences in party organisation, party programmes and policy, the degree of linkage to (varyingly well-)organised labour, and the party title, virtually all existing studies refer (either implicitly or explicitly) to the (normally European) member parties of the Socialist International when they refer to 'social democratic' parties (see Marlière, 2001; Ladrech and Marlière, 1999; Powell, 2004; Thomson, 2000; Kitschelt, 1994; Pierson, 2001; Przeworski, 1985; Vandebroucke, 1999; Keman, 1993; Pontusson, 1995; Koelble, 1992; Callaghan, 2000a, 2003; Martell et al., 2001; Ladrech, 2000; Moschonas, 2002; Notermans, 2001; Padgett and Paterson, 1991; Glyn, 2001; Schmidtke, 2002; Clift, 2002; Green-Pedersen and Kersbergen, 2002; Roder, 2003; for a contrasting perspective, under which many of the Socialist International parties are now viewed as '(former) social democratic parties', according to an essentialist definition of social democracy as the promotion of 'redistribution, democratic economic governance, and social protectionism', see Hay, 1998: 5; Hay, 1999a: 57-8).

For the purposes of this thesis, therefore, and in keeping with widespread consensus, in referring to west European 'social democratic parties' I shall be referring to member parties of the Socialist International within west European countries. In contrast, in referring to 'social democracy' I shall be referring to the historically-contingent collection of ideas, policies and practices currently adopted by self-proclaimed social democrats at any given time. In making this distinction I believe I am able to sustain a definition of 'social democratic parties'

(and therefore employ the term for the purposes of this thesis), without resorting to an ahistorical definition that would negate some of the theoretical claims regarding the ongoing, historical process of reproduction that characterises social democracy (and all other social objects), which will be made in chapters two and three. Further, in identifying the pursuit of progressively redistributive public policies within institutions of representative democracy attached to a market economy as an element contingently common to social democratic parties, the present study will be able to identify a commonality between social democratic parties that is able to explain a similar outcome (i.e. the social democratic turn to Europe) within each party despite their divergent organisational, ideological, and/or national backgrounds (again, this point will be elaborated in chapters two and three).

1.2. The social democratic turn to Europe and the European-level obstacles to social democratic policymaking

The Social Democratic Turn to Europe

Social democratic parties became increasingly warm towards European integration throughout the 1980s and 1990s (Hooghe and Marks, 2002; Lightfoot and Holmes, 2002; Butler, 1995: 111-2; Dunphy, 2004: 1-2; Featherstone, 1988; Gaffney, 1996). As noted, this was seen by both the grassroots members and the political elite within social democratic parties as a means through which socio-economic processes increasingly perceived to be of an international nature,

and therefore beyond national control, could be harnessed through coordinated activity with ideologically-similar parties and individuals operating collectively at the EU-level. Indeed, as Hooghe and Marks (2002) observe, ‘majorities in one [Social Democratic] party after another have come to perceive European integration as a means for projecting social democratic goals in a liberalizing world economy’ (p. 975). This optimism is even more noteworthy when we consider that, of the mainstream European political families, social democratic parties have historically been the most negative towards European integration throughout the post-war period. In particular, social democratic parties, or significant factions within them, have feared that the EU¹ is a ‘capitalist club’ seeking to remove the possibilities for the political regulation of, and intervention in, west European capitalism, due to its focus on purely market integration, its protectionism vis-à-vis the developing world, and its inaccessibility to popular democratic pressures (in particular, the organised working class). Thus, the focus in the Treaty of Rome on the creation of a liberal European economic space, in which the free movement of factors of mobility were the constitutionally enshrined objectives of the EC, combined with the seeming inability to develop substantive European level market-correcting policies (such as industrial, regional, or research and development policies), led many actors within social democratic parties to fear that the EC represented a threat to their more *dirigiste* policy aims and domestic achievements (see Featherstone, 1988 for the best overall survey of

¹ When referring in a general sense to the supranational institutions arising from the process of European integration, I shall refer to the European Union. When referring to the same institutions at a specific historical time, I shall use the name (European Economic Communities, European Community, or European Union) that was in use at that time.

social democratic parties' positions on European integration during the latter's first 30 years). The adoption by social democratic parties, throughout the 1980s and 1990s, of a pro-European policy stance that, in particular, viewed the EC as a means to implement social democratic objectives, therefore represents a significant turnaround, and one which forms the subject of this thesis. For the purpose of this introductory chapter, a brief survey of the social democratic parties in the main member states of the (pre-2004 enlargement) European Union will suffice to illustrate this general shift in opinion (more detailed analysis of changes within some of these parties will be the focus of later chapters).

In the case of the UK, the British Labour Party's position on European integration has undergone a series of dramatic changes (see Broad, 2001; Daniels, 1998; Geyer, 1997; Haahr, 1993; Heffernan, 2001; Holden, 2002). In 1950 the post-war Labour Government chose not to support the Schuman Plan and in 1962 the Labour Party leader, Hugh Gaitskell, announced Labour's opposition to the first British application for membership of the EC on the grounds that it would represent 'the end of a thousand years of history'. Yet it was a Labour Government that made the second application for British membership of the EC in 1967, despite growing opposition from the left of the party. Internal party division over Europe was reflected in the Party's 1974 manifesto commitment to renegotiate the terms of entry to the EC and to offer a national referendum on the renegotiated terms. Further, the Party divided over its position on the resulting 1975 referendum, with the majority of the Cabinet and party leadership supporting a 'yes' vote and many of the parliamentary backbenchers and grassroots activists campaigning for a 'no' vote (Featherstone, 1988: 45-59). Despite the victory for

the 'yes' group, Europe remained a divisive issue for the Labour Party throughout the remainder of the 1970s and early 1980s, resulting in the decision by Labour's pro-European moderates to leave the Party to form the Social Democratic Party (SDP) due to what they perceived to be the control of the Labour Party by its ascendant anti-European left wing. The 1983 manifesto represents the peak of Labour's anti-Europeanism, with the manifesto committing the Party to withdrawal from the European Community 'well within the lifetime of the parliament' (Labour Party, 1983). Following its disastrous electoral performance in 1983, the Party embarked on a long path towards ideological moderation and acceptance of British involvement in the project of European integration. By 1992 the Labour Party was able to portray itself as the party that would best represent Britain's interests *within* Europe, promising to 'promote Britain out of the European second division into which our country has been relegated by the Tories' (Labour Party, 1992). Throughout the 1990s the Labour Party continued to adopt a position of 'constructive engagement' with the EU, promising in 1997 to end the UK opt-out from the Social Chapter (Daniels, 1998). Since 1997, the Labour Government has been keen to utilise the European Union as a key institution within which to promote its domestic agenda (Coates and Hay, 2001). Thus, Prime Minister Blair claimed in 2001 that 'Britain's future is inextricably linked with Europe', but that 'inside Europe we must push for economic reform and modernisation to achieve the goal we have set ourselves of full employment in Europe by 2010' (Blair, 2001).

Similar developments can be witnessed across Europe. Thus, in France, 54 French Socialist parliamentarians were part of the opposition to the European

Defence Community that brought the initiative to an end in 1954. Nevertheless, despite a residual anti-integrationism (based partly on anti-US and anti-capitalist sentiments) the French socialists remained relatively enthusiastic towards European integration during the 1950s and 1960s. A socialist government, headed by Guy Mollet, was responsible for French negotiations on the Treaty of Rome, and the Socialists repeatedly accused De Gaulle of reactionary nationalism for his policy on European integration during the 1960s (Featherstone, 1998: 111-9). However, in 1972 the Socialists agreed a Common Programme with the French Communists (PCF), which committed them to a radical break with capitalism, implicitly rejecting many of the achievements of European integration (in particular the commitment to free factor mobility between the member states). Nevertheless, in 1983, having been in government for two years, the French Socialists were forced to renege on their election commitments in order (partly) to retain the Franc's position within the European Monetary System (EMS). Having chosen European integration over 'Keynesianism in one country', the French socialists have since consistently promoted European integration as a means to tackle the international obstacles to social democratic policymaking (Ross, 1998a, 1998b; Jospin, 2002). Similarly, in Sweden, the Swedish Social Democratic Party (SAP) opposed Swedish membership of the EC for most of the post-war period, particularly due to its concern to retain Sweden's neutral foreign policy, but also in order to avoid any impediment to Sweden's domestic socio-economic policy. However, this stance was abandoned in 1990 when the SAP Government announced that it would be applying for membership of the EC. Despite divisions within the Party over the two referendums on, first, membership

of the EC and, then, whether to join the Euro, since its policy U-turn in 1990 the SAP leadership has consistently portrayed its pro-Europe position as a means to protect the Swedish social democratic state from destabilising international pressures (Aylott, 1999; Bieler, 2000; Miller, Taylor and Potton, 2003).

Once democracy was established in Greece in 1974, the Greek socialist party (PASOK) officially opposed Greece's membership of the European Community on nationalist, anti-US and anti-capitalist grounds. It retained official opposition to European integration from 1974 until it was elected as the government of Greece in 1981. However, during its period in office, PASOK gradually abandoned its antagonism towards the EC. During its second term in office, the PASOK government accepted the SEA, sought to strengthen the power of the European Parliament (EP) and became a champion of the common foreign and security policy (CFSP). PASOK accepted the Maastricht Treaty and during the 1990s the party enthusiastically pursued Greece's early entry into the EMU (Moschonas, 2001: 12-4). In Italy, the conversion of the Italian Communist Party to the Italian Democratici di Sinistra (Left Democrats), the main social democratic party in contemporary Italy, was closely associated with its transition towards a position of support for European integration. The Italian Communist Party had opposed European integration since the latter's inauguration, viewing it as a US-sponsored capitalist initiative. However, from the death of its leader, Enrico Berlinguer, onwards, the new Communist leader, Alessandro Natta and, following him, Achille Occhetto, sought to moderate the stance of the Communist party. This was connected with a shift towards support for European integration, which became complete from 1989 onwards, when the PCI advocated deeper

integration within the EC as a means to stabilise and democratise the crumbling Italian political system. Throughout the 1990s the (re-named) PDS (and later DS) either implemented (or supported) the economic reforms necessary to secure Italy's inclusion in the third stage of EMU; a policy justified in terms of the benefits that European integration would bring to the Italian political and economic system (Abse, 2001; Fouskas, 1998).

In post-war West Germany, the political context of the Cold War and the division of Germany created strong pressures on political parties to support European integration. However, 'in the West German context, the [SPD] has been characterised as the most reluctant supporter of European integration' (Featherstone, 1998: 141). In particular, the SPD sought to prioritise German reunification over European integration. The SPD opposed West Germany's membership of the Council of Europe (viewing it as an undemocratic capitalist organisation) and opposed the Schuman Plan (for similar reasons). The SPD also expressed concern about the potentially divisive nature of the Treaty of Rome (although it did support economic integration). During the 1960s the SPD sought to promote a widening of European integration, in particular seeking to overcome De Gaulle's opposition to British membership. Willy Brandt (Foreign Minister in the 1966-9 Grand Coalition) advocated a European Union based on co-ordination and cooperation, rather than firm supranational integration. During his Chancellorship from 1974 to 1982, Helmut Schmidt tended to focus more on intergovernmental relations than on supranational integration, viewing the nation state as the main institution through which social and economic achievements could be made, and preferring personal contact with French

President to the arcane bureaucracy of Brussels. In 1976 he expressed concern over the size of Germany's net budgetary contribution to the EC and in the late 1970s the SPD government sought reform of CAP. Nevertheless, the SPD Government remained supportive of integration, and gave strong backing to the enlargement of the EC to include Spain, Portugal and Greece. In opposition since 1982, the SPD leadership was supportive of the drafting of the Single European Act (SEA) and critical of Chancellor Kohl for not pushing hard enough for agreement on integration. By the mid 1980s, therefore, the SPD had become a firm supporter of European integration (Featherstone, 1988: 140-69). However, throughout the 1980s and 1990s, this support was articulated by the German SPD as only a loosely and vaguely worded European policy. The SPD was committed to the German consensus in support of integration but had no significant position developed on integration. In 1996 the SPD sought to develop a more consistent and considered European policy, in part in order to acquire the appearance of a viable party of government. This review sought to connect European policy to traditional SPD concerns. For instance, demands for a social and employment policy in the Amsterdam IGC were connected to the issue of EMU. This developed into a broader attempt to initiate a social democratic agenda for Europe, an initiative led by party chairman Oscar Lafontaine. Lafontaine had been critical of the idea of a single currency up until the mid-1990s when he began to reverse his position as he came to see a common European social and economic policy as a way of safeguarding social democratic ideals. On arriving in government in the autumn of 1998 the adoption of a more concrete and substantive policy became necessary. Lafontaine sought to promote his social

democratic agenda, pushing forcefully for EU-wide tax harmonisation and a European employment pact with binding targets. However, Lafontaine failed to receive support for his initiatives from Chancellor Schroeder and in March 1999 he resigned. Schroeder sought instead to promote his 'Neue Mitte' agenda (including limited state spending, lower taxation and labour market reform) at the European level. Both politicians thus sought to utilise the European Union as a positive opportunity within which German and social democratic interests (albeit of a different hue) could be promoted (Sloam, 2003). This shift towards Europe within the party was reflected in the high profile given to Europe in the SPD's 2002 general election manifesto. It was also reflected in the SPD's adoption of its Agenda 2010 programme, in which a 'common response by the governments, the EU Commission, and the European Central Bank to the persistently low levels of growth in Europe' was called for (SPD, 2003).

In Spain, following the death of Spanish dictator, General Franco, in 1975, and the subsequent inauguration of a democratic regime, the Spanish Socialist Party emerged as a newly legalised political party. The Spanish Socialists were consistently in favour of European integration from 1975 onwards, in particular due to the EC's significance as a symbol of democracy and liberty in comparison to the Franco regime. Thus, there was no transition from an anti- to pro-European stance within the Spanish Socialist Party (PSOE). There was, nevertheless, a significant increase in the level of enthusiasm towards European integration, and, in particular, an increase in the extent to which the EC was perceived as an institution offering substantive social democratic opportunities. Thus, in the late 1970s and early 1980s members of the PSOE began to express

concern that the liberal economic policy of the EC might impose overbearing restrictions upon Spanish domestic policy (Marks, 1997: 81-2). These concerns, however, were outweighed by the perceived benefits of incorporating Spanish society into a wider, democratically-stable, polity. Following the Socialist's election to power in 1982, Felipe Gonzalez's government prioritised the economic reforms necessary to secure Spain's sound accession to the EC. However, this was not without its consequences, and in 1988 a general strike badly damaged the popularity and stability of the Government. In the light of this growing disaffection, the PSOE committed itself in 1990 to the creation of a socialist Europe through the institutions of the EC. This would remain a strong strand in PSOE discourse throughout the 1990s and was partly used to justify its implementation of (and support for) further economic reforms necessary for Spain to join the Euro. Thus, whilst the PSOE has not turned from anti- to pro-European, it has, nevertheless, witnessed a growing enthusiasm for its promotion of a social democratic agenda at the EU-level.

In Denmark, the Social Democratic Party (SD) leader, Hans Christian Hansen, headed the Danish Government that chose to keep Denmark out of the EEC when the Treaty of Rome was signed, choosing instead to seek open trade relations (particularly with the UK) within EFTA. However, the Social Democratic leadership supported the two Danish membership applications that followed the UK applications in 1961 and 1967 despite opposition within the trade unions due to the fear of the effect on Danish workers of increased international competition. Whilst in opposition in 1971 the SD announced that it would have a referendum if the third application for Denmark to join the EC was

successful. The SD annual conference of 1971 agreed support for membership of the EC, and in particular economic cooperation between member states, but with retention of the national veto and opposition to any further supranational integration. It allowed a free vote on the issue to SD members. The subsequent referendum saw a majority of the party support membership, but with a significant minority campaigning (unsuccessfully) for a no-vote. Further, the decision by SD Prime Minister, Anker Jorgensen, to agree in 1976 to directly elected EP elections was controversial as it represented a step further in supranational integration. The SD more consistently opposed supranational initiatives in the later 1970s and 1980s, opposing the EP's Draft Treaty on European Union, whilst supporting intergovernmental initiatives that retained the national veto, such as the development of EPC. The SD opposed the SEA, managing to secure a referendum on the issue, on the grounds that it undermined national sovereignty through its proposals for greater use of qualified majority voting (QMV). However, the SD was defeated on the SEA referendum and, therefore, forced to rethink its position (Featherstone, 1988: 76-106). Following the referendum the SD set up a committee to consider its EC policy. The subsequent report published by the committee and adopted by the party congress in 1986, "An Open Europe", was more positive about the need to adopt EC measures in order to coordinate the market and fiscal and environmental measures in the light of the forthcoming single European market (although it reiterated its support for the continuation of the national veto). This marked a shift in SD thinking, with the committee looking in particular at 'how social democratic EC policy could further common European interests and social democratic values at the European level'

(Haahr, 1993: 214). In the late 1980s, in the context of progress towards the Single Market and growing interest at the EC-level in a European Social Charter, the SD became increasingly positive about the prospects for labour market and environmental regulation at the EC-level, with SD candidates in the 1989 EP election tentatively suggesting the appropriateness of QMV on decisions in these areas. By the time of the 1990-1 Maastricht Treaty negotiations the SD was in a position to give qualified support to the Danish Government's positive stance on European integration. However, and importantly, this support was qualified by demands (which the Government accepted) that Danish support for further integration be supplemented with initiatives that would provide European citizens with greater democratic control at the EC level, such as strong powers for the EP, QMV on employee rights and environmental regulation and the creation of an ECOFIN Council to run in parallel with the ECB. Thus, by 1990 the SD position on European integration had shifted from outright opposition to the Treaty of Rome, to qualified and ambivalent support for intergovernmental integration in the 1970s, to hostility to supranational integration over the signing of the SEA, to, finally, support for greater supranational integration in order to achieve democratic coordination and regulation of the single European market (SEM) in the early 1990s (Haahr, 1993: 199-258). Throughout the 1990s the SD remained pro-European, in particular favouring the Employment Chapter of the Amsterdam Treaty, but (under public pressure) remaining committed to the opt-outs that Denmark had secured from the Maastricht Treaty (including the opt-out from automatic membership of EMU). From the late 1990s onwards, however, the SD increasingly came to support Danish membership of the EMU,

seeing it as important to the economic well-being of the Danish economy and of its welfare system, and calling (unsuccessfully) for a yes-vote in the referendum on the Euro on 28 September 2000 (Haahr, 2001: 194-8).

In Austria, opposition to membership of the European Community within the Social Democratic Party (SPÖ) was based almost entirely on the requirement for foreign policy neutrality during the Cold War. However, whilst there was opposition to EC membership within the SPÖ once Austrian membership came on the agenda in the early 1990s (indeed, during this period, 'most Party members and MPs were critical of Austria joining the EU' (Veiden, 2001: 210)), nevertheless, by the time of the referendum in June 1994, 73% of social democratic voters supported membership of the EU. This turn around in support amongst social democratic voters came after a successful campaign by the Party leadership to convince social democrats that the EU was beneficial to them. Thus, 'it was argued that for Austria to tackle social problems, and safeguard the welfare state in the future, EU membership was crucial' (Veiden, 2001: 210).

Finally, comparative research confirms these examples of social democratic parties becoming increasingly positive towards the European Union. Thus, on the basis of a series of expert surveys, Hooghe, Marks and Wilson report that the average position of social democratic parties on European integration has risen from 5.5 to 6.3 between 1984 and 1999 (on a scale of 1 to 7) (Hooghe, Marks and Wilson, 2002). Thus, 'in 1984, the largest pool of Euro-skepticism – measured according to electoral strength – was social democratic', yet by 1999 social democratic parties were among the most pro-EU of all of the political families in Europe (Hooghe, Marks and Wilson, 2002: 975).

Having illustrated the growing enthusiasm for a social democratic agenda within Europe amongst social democratic parties, particularly from the 1980s onwards, the chapter will now proceed to identify the second important contextual factor underlying the present investigation – the obstacles to market-correcting policymaking at the EU-level. This will seek to show that the optimism existent within social democratic parties regarding the institutional opportunities existent at the EU-level is paradoxical given the apparently detrimental effect of European integration upon traditional social democratic ambitions.

European integration as an erosion of market-correcting public policy

For the purpose of this thesis, I will distinguish between market-building and market-correcting public policy (Leibfried and Pierson, 2000; Scharpf, 2002). Market-building policy seeks to produce the conditions whereby the production of commodities, and their exchange through the medium of money, is ensured (Fligstein and Mara-Drita, 1996: 14-5). This normally takes the form of legislation to ensure that the free exchange of commodities (including labour power) can take place. The market-building elements of European Union economic policy are well-known and well documented, covering such elements as Competition Policy, the Single European Market, the politically-neutral inflation-focused ECB, regulations to ensure the free movement of goods, services, labour and capital, and efforts to liberalise energy, transport and public procurement on a pan-European basis. These policies seek to create a single set of rules governing the production and exchange of commodities which will apply

across the European Union and will ensure that resources are allocated according to the interaction of a supply of commodities and the demand by individuals for them, both of which are expressed through the exchange of money. On the other hand, market-correcting policies represent an attempt to eradicate or ameliorate some of the unintended and undesired consequences of this money-mediated process of production and exchange. Thus, it is recognised that the interaction of individuals within the market may create sub-optimal outcomes for certain individuals and/or for society as a whole, and that public policy should be used as a means to intervene in order to re-allocate resources in a more desirable manner. This may include the production or allocation of commodities by a public institution rather than a private individual or firm; fiscal redistribution; the regulation of market activities; or the stimulation of market activity through measures such as investment to stimulate aggregate demand or planning to ensure market equilibrium is reached. What unites these strands of public policy is their commitment to proceed beyond the mere production of the conditions of free exchange between individuals to the creation of extra-market outcomes that rectify the problems of a hypothetically 'pure' market system of exchange. Moreover, as will be seen in chapter two, the desire to implement public policy which overturns, modifies, or moderates the operation of the market in a redistributive direction has traditionally been central to the concept of social democracy.

Attempts to understand the development of market-correcting social and economic policy at the EU-level have proliferated since the 1980s, due in particular to an increase in the rate of European integration since the signing of

the SEA in 1985, but also due to a growing number of academic advocates of such an initiative (see, for instance, Kleinman, 2002; Hantrais, 2000; Falkner, 1998; Goetschy, 2001; Walby, 1999; Geyer, 2000; Ferrera, Matsaganis and Sacchi, 2002; Leibfried and Pierson, 1995, 2000; Teague, 1999; Nielsen, R. and Szyszczak, 1997). The prominent theme contained within these analyses is the observation that market-correcting policy output at the EU-level has not advanced to the same extent as market-building policies. What follows is an attempt to outline the obstacles underlying this underdevelopment of market-correcting policy output at the EU-level. A more rigorous discussion of these obstacles and the way they have limited positive integration at the European level will be provided in chapter six.

The largest obstacle to the development of positive supranational policymaking has been resistance within member states by individuals that fear the project undermines national sovereignty. This fear is based on the strong and embedded allegiances of individuals to the nation state, that have developed historically since the Treaty of Westphalia and beyond. The nation state is an extremely successful and resilient political project, particularly when judged in terms of its success in securing the support of the individuals which constitute it. Indeed, the strong collective identification between individual members of each nation state has been termed a 'demos', by which is meant a self-recognising collective group of people who seek their collective self-determination. This strong mutual identification between the individuals that constitute each member state within the EU poses possibly the largest obstacle to the integration of public policy at the EU-level, for two reasons. Firstly, the integration of national

policies within the European Union represents a substantial relinquishing of institutional means through which to achieve national self-determination. The nation state currently represents the most effective and viable institutional vehicle through which the people of a nation can express their common opinion and therefore see their collective demands realised in terms of public policy. Thus, if this capacity is ceded to supranational institutions it will necessarily limit the scope for autonomous political action by a *national* collectivity and therefore limit the possibility for *national* self-determination. Hence, on these grounds, it is resisted by both national citizens and national politicians.

Secondly, the obstacles resulting from strong national identities within the EU are compounded by the absence of a strong common *European* identity; thus, there is a lack of a European 'demos'. Individuals within the European Union still identify primarily with their national groupings rather than constituting a wider European collectivity (Smith, 1992; Weiler, 1999: ch. 10). Thus, in a recent Eurobarometer survey, 41% of respondents felt an identity with their nationality only, compared to only 4% who felt only European. Similarly, whilst 46% of respondents felt an identity primarily with their nationality and secondarily with Europe, only 6% felt primarily European and a secondary identity with their nationality². There is, therefore, only a weak, or secondary sense of European-ness across the European Union. Given that *European* self-determination can only be sought if there is a common sense of *European-ness*, the development of substantive and legitimate public policy at the

² See Eurobarometer Spring 2004:

http://europa.eu.int/comm/public_opinion/archives/eb/eb61/eb61_en.pdf

European level has proved problematic. Thus, whilst the sense of European-ness is either lacking or secondary to any sense of *national-ness*, it is hard for policymakers operating at the EU-level to obtain the public support necessary for the formulation, implementation and legitimation of a pan-European public policy (Offe, 2000). Thus, a strong national demos, combined with a weak European demos, substantially undermines attempts to integrate national policies (including national social and economic policies) within a common European framework.

Another obstacle to the development of substantive European level policymaking has been that attempts to integrate fifteen existing national social and economic policies into a single European framework have encountered a number of practical problems (Leibfried and Pierson, 2000). The harmonisation of national economic and social policies obviously requires decisions to be made over which direction that harmonisation should take. This requires compromises to be made over the national preferences of each member state. The historical development of divergent national preferences and interests amongst the EU member states has often led to an inability by those states to agree on the most desirable direction for European integration to take. Given an absence of agreement, the fall-back option has often been for European level public policy to either stagnate due to a lack of consensus or for those agreements that are reached to be of a 'lowest common denominator' nature due to the rigorous requirements of reaching a consensus. Thus, the pre-existence of national social and economic policies, and the political and economic interests with which they are intrinsically connected, have created substantial obstacles to the integration of these policies within a single European policy framework (see Scharpf, 1997 for an interesting

discussion of this problem).

Finally, the problems in integrating policies at the supranational level, as outlined above, have particularly affected the development of market-correcting policies (in contrast to market-building policies), resulting in what has been labelled, the prevalence of 'negative' over 'positive' integration (Pinder, 1969; Holland, 1980; Scharpf, 1999). 'Negative integration' refers to the removal of national policies that create differences between the economic and social regulation of member states, thereby enabling market integration between those member states. On the other hand, 'positive integration' refers to the creation of a substantive pan-European framework of regulation. Most analysts agree that European integration has been characterised by the predominance of negative over positive integration (see in particular Scharpf, 1999). According to this argument, this has occurred because negative integration represents less of an infringement upon formal national sovereignty than positive integration and can therefore be achieved with less of the problems relating to the lack of a European 'demos' outlined above. Further, the removal of national regulations necessary for the practical integration of national markets incurs less practical problems than the creation of a European-wide framework of regulation, as the former merely requires the cessation of national regulations whereas the latter requires a further agreement over the form of new regulations to be adopted at the European level (the success of the principle of mutual recognition as a means to accelerate the integration of the single European market is perhaps the best example of this process, see Peterson and Bomberg, 1999: 46-7). Streeck (1996, 2001) adds the observation that there is a willingness amongst political elites to integrate markets,

but not policies, due to their reluctance to cede sovereignty in the remaining areas of policymaking over which they have control. Thus, according to Streeck, as national politicians find it increasingly necessary to integrate national markets in order to maintain the efficiency and competitiveness of their national economies, the same politicians are also increasingly keen to retain the remaining policymaking capacities available to them in order that they can legitimate the power that remains in their hands at the national level; this, therefore, itself creates a further bias towards negative over positive integration. In sum, therefore, it is easier to integrate markets (created by the removal of national regulations that represent barriers to the free movement of goods, services, labour and capital) than it is the political structures through which to regulate those markets. This explains the historical prevalence of ‘negative’ over ‘positive’ integration.

The obstacles to the development of substantive public policy at the European level appear, therefore, to have created a systematic bias towards the disproportionate underdevelopment of market-correcting policymaking at the EU-level, and look likely to continue to do so into the foreseeable future. Further, due to its disproportionate focus on market-building (in contrast to market-correcting) initiatives, the process of European integration also contributes to the reduction in scope for market-correcting policies at the national level (this point will be returned to in more detail in chapter six). European integration, therefore, is characterised by an overall reduction in the scope of

market-correcting policies across the multi-level European polity³. It is this detrimental effect of European integration upon the scope of market-correcting policymaking that renders paradoxical the social democratic turn to Europe and the expressed desire by social democratic parties to reassert market-correcting policy aims through supranational cooperation at the European level. What follows is a review of existing explanations for social democratic parties' paradoxical turn to Europe; these explanations will be shown to be inadequate due to either their incongruence with empirical reality or their inability to account for social democratic motives and actions within a European Union that seemingly limits the scope for realising social democratic aims.

1.3. Existing Explanations for the social democratic turn to Europe

The following explanations for the social democratic turn to Europe have been extracted from the existing academic literature. Many of the analyses from which they have been taken contained more than one of the explanations. However, the aim of this section is to show that each of the explanations is unable to account for the social democratic turn to Europe, particularly due to the role of the EU in reducing the scope for market-correcting policymaking opportunities across the multi-level European polity. Having considered each explanation in turn, we can then turn to the existing explanations as a whole at the end of the section in order to show that, even considered collectively, they are unable to

³ The conception of the various tiers of institutional authority within the European Union as comprising a single multi-level European polity, as developed by Hooghe and Marks (2001), will be employed throughout the present thesis (see also Marks, Hooghe and Blank, 1996).

provide a coherent, viable and adequate explanation that is both compatible with empirical observation and able to accommodate the erosive effect of European integration upon market-correcting policymaking, as outlined above.

Existing explanations for the social democratic turn to Europe can be placed into three broad groups: those that view the turn to Europe as an attempt to re-regulate what has come to be known as 'globalisation'; those that see it as a pragmatic adaptation to a new political environment; and, finally, those who claim the social democratic turn to Europe is part of a more general ideological moderation occurring within social democratic parties. The 're-regulating globalisation' argument claims that the social democratic turn to Europe is an attempt to deal with the declining autonomy of the state and the commensurate inability of social democratic parties to implement social democratic regulation due to the process that has come to be known as 'globalisation'. The 'pragmatic adaptation' argument claims that the increased permanence of the institutions of European integration has created a pragmatic need within social democratic parties to accept the existence of the EU and therefore to work within the framework of a 'multi-level' Europe in order to remain a viable and relevant political force in contemporary European politics. Lastly, the 'ideological moderation' explanation views the social democratic turn to Europe as the result of an internal ideological moderation within social democratic parties, part of which has included the abandonment of the ideological basis to the scepticism towards European integration that existed within social democratic parties in the past. These explanations, and their limitations, will be examined in turn.

Re-regulating globalisation

The 're-regulating globalisation' explanation for the social democratic turn to Europe claims that the increased scope for social and economic regulation and intervention at the European level explains the increased support by social democratic parties for European integration. The European Union has been portrayed as an important forum for political activity following the reduced capacity for political action at the national level due to the (real or perceived) social forces that have come to be labelled 'globalisation'. According to this view, a number of factors have combined to make the nation state increasingly powerless and therefore make the EU a more attractive institution within which to operate. The internationalisation of economic transactions, facilitated by technological developments that enable much more rapid flows of capital, services, goods and labour, and by the deregulation of the international financial markets, both of which enable the pursuit of greater profit levels through a more efficient international division of labour, has apparently created the situation whereby the nation state is no longer able to act autonomously in the economic sphere. Economic intervention at the national level will either be ineffective or have an effect contrary to the one desired. This is due to the ability of owners of capital, goods, services, and labour (in that order) to act to avoid the negative effect of state regulation on the income derived from the ownership of those resources, by moving them to countries with less burdensome regulatory frameworks (on the limiting effects of 'globalisation' upon the scope for market-correcting policies at the national level see Gray, 1996, 1998; for a more

sceptical account of these limits, see Weiss, 2003, Swank, 2003, Hay, 2000b, Mosley, 2003, Hirst and Thompson, 1999, and Hay and Marsh, 2000). As social democratic parties have been most closely associated with the state and the expansion of the market-correcting role of the state, particularly during the *Trente glorieuses* of 1945-75 when the expansion of the welfare state and Keynesian macroeconomic policies were viewed as the twin pillars of modern social democracy⁴, the ascendancy of globalisation and the declining capacity for market-correction through the nation state (processes which can be seen as two sides of the same coin) have therefore had a particularly strong impact on the fortunes of social democratic parties and the development of social democratic policy. The range of policy options available to social democratic parties has been in gradual decline as the range of feasible outcomes pursuable within the nation state has itself declined. Many proponents and supporters of social democracy have sought to overcome this declining capacity of the nation state through a coordinated supranational attempt to re-regulate and re-intervene in society. In particular, the European Union has been posited as an institutional opportunity within which to coordinate state policies in order to enable states to overcome the increased exit-options of factors of production. In short, the formulation of supranational policies at the EU-level has been viewed as a means by which the international flow of factors of production can more feasibly be regulated. Some scholars argue that it is this increased scope for re-regulating globalisation at the EU-level that explains the social democratic turn to Europe.

⁴ As noted above, the connection between social democracy and market-correcting public policy will be elaborated upon in the following chapter.

For instance, Cafruny states,

Because social democracy depends on state power, it must either reassert national autonomy with all the problems entailed by this strategy [due to the internationalisation and liberalisation of the economy] or work toward a federalist system to re-regulate the economy at the level of the EU (Cafruny, 1997: 122; for a similar view see Hirst and Thompson, 1999: 191-225).

However, as already noted, the main weakness of this explanation is that there is a serious dearth of opportunities to 're-regulate the economy at the level of the EU'. Indeed, the attempt to regulate west European society through the European Union inevitably encounters the problems associated with the underdevelopment of market-correcting policymaking at the EU-level noted above. To explain the social democratic turn to Europe in terms of the opportunities for re-regulating globalisation at the EU-level, therefore, is inadequate given the apparent absence of such opportunities.

Perhaps a more subtle argument, located within the same broad 're-regulating globalisation' band of explanations, is one that sees the social democratic turn to Europe as an attempt by social democratic parties to *build* a European 'demos' and thereby create the pre-conditions for EU-level market-correcting policy to be implemented at some point in the future (Knill and Lehmkuhl, 2000). According to this argument, interaction by social democratic parties with the institutions of the European Union could contribute towards the generation of a European *demos* that will eventually emerge and thereby enable a

legitimate re-regulation of 'globalisation' to occur some time in the future. Whilst it may not be possible at the moment, social democratic engagement with the EU-level could be the first step towards the creation of the conditions necessary to make re-regulation of globalisation possible in the future. However, whilst this view may be more plausible than the less subtle version of the 're-regulating globalisation' thesis outlined above, it still contains a number of fundamental weaknesses. In particular, in order for this view to be plausible it would be necessary to have actual signs of social democratic attempts to build a European society as opposed to a collection of national societies. However, in a reflection of European society as a whole, social democratic parties have consistently maintained their autonomy as national parties representing national points of view. This is evinced in two instances: the reluctance of national social democratic parties to pool decision making within a wider European social democratic party (Hix and Lord, 1997; interview with Ton Beumer and Nick Crook, 11 September 2001); and the promotion by social democratic parties and party actors, of national interests and national sovereignty when operating at the EU-level (particularly when operating within the European Council and Council of Ministers). Both of these instances point to the tendency for social democratic parties to act to maintain the predominance of the nation state within the multi-level European polity, and therefore to contribute to the obstacles to market-correcting policymaking at the European level. Claims that social democratic parties are taking the first steps towards the creation of a supranational polity and 'demos' that will be able to re-regulate globalisation, therefore, appear flawed given the many empirical instances of social democratic parties actually

acting to maintain the national divisions that prevent their emergence⁵.

Finally, the last variant of the 're-regulating globalisation' thesis that we shall examine here is the view that the opportunities existent at the EU-level, whilst being minimal, are, nevertheless, better than nothing (for an argument along these lines see Rhodes, 2002). This view accepts that limitations upon the social democratic re-regulation of globalisation at the EU-level exist, yet argues that there are *some* opportunities for re-regulating globalisation at the EU-level and, therefore, however limited these opportunities are they represent some kind of positive opportunity for social democratic actors, and therefore explain the social democratic turn to Europe. According to this view, institutional opportunities for social democratic intervention in society have dwindled due to the processes generally labelled 'globalisation'. Within this context, any opportunity for social democratic actors to achieve some kind of re-intervention in society, and social democratic re-regulation of society, can be expected to be taken up by social democratic actors. It is the existence of some, however limited, opportunities for social democratic re-regulation of globalisation at the EU-level that explains the social democratic turn to Europe.

Perhaps the most obvious problem for this 'better than nothing' variant of the 're-regulating globalisation' thesis is the counter-claim that actually the

⁵ Whilst it would be possible to argue that although social democratic parties are less concerned with protecting national sovereignty than their centre-right opponents, particularly in the area of market-correcting policymaking (see Hooghe, Marks and Wilson, 2002), nevertheless, social democratic parties and social democratic actors have consistently acted to maintain the multi-level system of governance that restricts both the cessation of substantial policymaking powers, and the development of popular allegiance to, the European level (for instance, see the statement in PES Members of the European Convention, 2002, quoted in chapter 7, pp. 300-1).

prevalence of 'negative' integration at the EU-level, as outlined most clearly by Scharpf (1999), *undermines* social democratic opportunities for re-regulating 'globalisation'. In other words, this 'better than nothing' argument fails to consider the tendency for 'negative' integration and the underdevelopment of market-correcting policy at the European level and the effect this has had on the national level. In particular, the integration of markets, without a corresponding development of market-correcting policy mechanisms, has actually contributed to the constraints acting upon social democratic intervention *at the national level* (Schmidt, 2002). Thus, the effect of European integration has actually been to contribute towards the lack of market-correcting policy opportunities social democratic opportunities, at both the national and the European level. If viewed from this perspective, European integration is not 'better than nothing' for proponents of market-correcting policies; rather, it is actually worse than nothing!

Pragmatic adaptation

The 'pragmatic adaptation' explanation for the social democratic turn to Europe argues that the increasing importance and permanence of the European Union as a political institution in Europe explains the social democratic turn to Europe. From this perspective, social democratic parties are viewed as pragmatic political organisations that must adapt to political reality in order to remain viable political actors. Thus, despite the EU not representing the most amenable institutional environment for social democratic actors and policies to promote their agenda, it is nevertheless a permanent feature of the European political system, and therefore

all mainstream political organisations (including social democratic parties) must accept the necessity of a constructive engagement with it. From this perspective, as the EU-level is increasingly becoming a normal tier of the European political system, just as mainstream political parties (which social democratic parties are) do not question the legitimacy of the nation state within which they compete for political power, so, as the EU becomes an increasingly normal part of the European political system, then social democratic parties can be expected to decreasingly question the legitimacy of the EU and merely work within it to achieve political outcomes that cohere with the political movement's overall political aims. Thus, Ladrech (1993) argues that 'the intensified pace of integration since 1985 should stimulate an adaptation in strategy and an expansion of the horizons of national actors', and, in particular, has created a 'pressure to overcome internal factors until now precluding support for EC integration' (p. 208). Further, in combining this 'pragmatic adaptation' argument with the 're-regulating globalisation' argument discussed above, Hooghe and Marks argue that, 'as regulated capitalism at the European level became a feasible goal *and as social democratic parties came to realize that they could not exit the single market*, they sought to deepen the European Union' (Hooghe and Marks, 2001, emphasis added: 174; see also Haahr, 1993; Ladrech, 2000). The increasing permanence of the EU, therefore, makes political strategies that seek to overturn or reverse integration increasingly less viable, thereby making engagement with the EU more attractive to social democratic parties.

Whilst this 'pragmatic adaptation' explanation no doubt contains much that is relevant regarding the attitudes of social democratic actors, it also contains

a number of omissions which are problematic for its overall adequacy in answering the question that we are focussing on in this thesis. Most notably, in viewing the development of European integration as merely creating a new tier to the political system operating within Europe, the 'pragmatic adaptation' argument fails to consider the way in which, as noted above, the European Union appears to systematically preclude substantive market-correcting intervention. In this sense, it is an apolitical explanation, in that it views the EU-level as a 'normal' part of the political system, and therefore expects 'normal' political parties to operate within the institution without questioning whether the institution itself is legitimate or amenable to the political aims of those political parties. However, it is this apolitical-ness that is the flaw in the argument. As the European Union appears to limit the opportunities for social democratic action we might expect some residual social democratic hostility to European integration. Yet without a *political* analysis of European integration it is impossible to understand how social democratic parties are affected by the process of European integration, why they support it or otherwise, and whether that support is paradoxical or not. Importantly, the 'pragmatic adaptation' approach fails to explain why European integration has increasingly been viewed as a means to promote traditional social democratic goals of market-correcting public policy despite the significant obstacles to such policymaking that exist at the EU-level. It therefore fails to address the central paradox underlying the present investigation. In short, whilst the social democratic turn to Europe may reflect the growing 'normalisation' of the European Union as a tier in the political system of western Europe, this explanation fails to provide us with an answer to the dilemma to which we are

seeking to understand, namely why do social democratic parties actively support this process of 'normalisation' and why have they sought to promote it as a means to achieve the re-regulation of 'globalisation', despite analytical and empirical evidence pointing to the futility of such an approach.

Ideological moderation

Finally, the 'ideological moderation' explanation for the social democratic turn to Europe claims that the erosion of 'traditional' social democratic values, which formed the basis for earlier social democratic scepticism towards European integration, is the reason for the 'new' social democratic turn to Europe. According to this argument, social democratic parties dropped their opposition to European integration because they had also rejected many of the traditional values upon which their anti-Europeanism was based. Thus, in applying this argument to the cases of Southern European socialist and social democratic parties, Marlière (2001) argues that, 'to some extent, from the mid-1980s, Europe came to constitute their new political horizon, after having ditched their ambition to challenge Capitalism' (p. 7). Indeed, social democratic parties have historically advocated the promotion of welfare programmes, economic management and fiscal redistribution, all implemented through the nation state. This was a political programme that particularly came to characterise social democracy during the *trente glorieuses* and one that we can label 'traditional social democracy' (Gamble and Wright, 1999a). This led social democratic parties to be keen defenders of national sovereignty during this period as national

sovereignty and the institution of the nation state were essential to the implementation of the traditional social democratic political programme. However, as has been widely documented, social democracy underwent a major process of ideological and organisational modernisation and transformation during the 1980s and 1990s, resulting in its metamorphosis into 'new' social democracy (part of which included the increasingly positive attitude towards European integration) (for some of the best work on this transformation see Kitschelt, 1994; Thomson, 2000; Moschonas, 2002; Gamble and Wright, 1999b; Sassoon, 1996; and Glyn, 2001). The nature of 'new' social democracy has been the subject of a hotly contested debate. However, a consensus is emerging, according to which, 'new' social democracy is seen as being characterised by its rejection of 'traditional' social democratic policy instruments such as welfare state expansion, Keynesian demand management, corporatist industrial relations, and fiscal redistribution. 'New' social democracy replaces these policies with a much greater emphasis upon intervention on the supply-side. This can be interpreted as an attempt to facilitate the extent to which factors of production can meet the demands made by the market, rather than seeking to directly affect the market or the demands that it makes. Thus, 'new' social democratic policies concentrate specifically upon education, training and labour market flexibility in order that workers are able to meet the demands of employers and the labour market so that unemployment can be reduced. Further, 'new' social democracy views an over-burdening state and overly restrictive trade union activity as a hindrance upon the functioning of the market economy. 'New' social democracy also views Keynesian demand management, when it is financed by deficit-spending, as

inherently inflationary and therefore supports orthodoxy in fiscal and monetary policy as a means to ensure economic stability as a condition for growth. Finally, 'new' social democracy seeks a more stringent means-testing approach to the allocation of social benefits, in order to avoid the dual risk of dependency upon the welfare state, and overly-burdensome government expenditure, both of which act detrimentally upon the operation of the market. It should be noted, however, that part of this shift towards means-testing includes a heightened emphasis (especially in the UK) upon education and health-care as the new 'legitimate' areas of public spending, with an associated de-emphasis upon other aspects of social spending (the nature of the transformation from 'traditional' to 'new' social democracy will be returned to in the following chapter).

What marks out the transformation from 'traditional' to 'new' social democracy, from the perspective of our present study, is that the institutional reliance upon the nation state is much less prominent. Indeed, 'new' social democracy is in part characterised by its support for the decrease in the role of the state in society. 'Traditional' social democracy's support for, and defence of, the nation state can in part be explained by its reliance upon the institutions of the nation state in order to implement its political programme. Likewise, 'new' social democracy's turn towards European integration can be understood to be derived from the reduced role of the state in the 'new' social democratic political programme. In the words of Robert Geyer,

As modernizing social democrats increasingly accept the growing decoupling of the national economy from national social control and abandon their previous strategy of

maintaining a national political *and* economic movement, they weaken the link between social democracy and nationalism (Geyer, 1997: 208-9).

Moreover, support for the European Union and its tendency towards 'negative' integration may actually consolidate the internal transformation within social democratic parties to 'new' social democracy. This is possible because membership of, and engagement with, the EU implies that policies that are successfully implemented will be compatible with the EU's tendency towards 'negative' integration, thereby creating an institutional bias towards policies that have a smaller role for the state and state intervention (traits which are characteristic of the 'new' social democratic programme). Indeed, a rejection of national state sovereignty may actually enable 'new' social democratic parties to relinquish themselves of the traditional social democratic commitments and expectations which they have acquired at the national level, and which more traditional members of national social democratic movements may actively seek to protect (Notermans, 2001).

However, the problem with this explanation is that if we are to explain the social democratic turn to Europe in terms of a decline in traditional social democratic values then it is difficult to reconcile this view with empirical findings that 'majorities in one party after another have come to perceive European integration as a means for projecting social democratic goals in a liberalizing world economy' (Hooghe et al., 2002: 975). Indeed, the starting point for the present investigation was the observation that social democratic parties have increasingly come to view the EU-level as the means by which a

market-correcting agenda can successfully be re-asserted. So the claim made by the 'ideological moderation' explanation, that social democratic support for European integration can be explained by the lack of 'traditional' social democratic ambitions within social democratic parties or by the nature of 'new' social democracy, appears to miss the point. Social democratic parties have increasingly couched their support for European integration in terms of the opportunities it provides for the continued feasibility of market-correcting public policy through supranational cooperation. If social democratic parties support the European Union due to either a moderation in the scope of political intervention pursued, or due to the EU's inherent tendency towards a reduction in political intervention in society, in coherence with 'new' social democratic ideology, and as claimed by the 'ideological moderation' explanation, then why have the same parties couched their support for the EU in terms of the increased opportunities it provides for the realisation of social democratic aims?

1.4. Summary

In summary, the existing attempts to explain why social democratic parties have become so optimistic about the opportunities that exist at the EU-level are inadequate. They fail to identify the motives behind the social democratic turn to Europe, the reason for the social democratic support for a political project that predominantly acts to undermine the opportunities to implement their traditional agenda, and the reason why the social democratic turn to Europe has been portrayed by (and understood by many) social democratic actors themselves as an

attempt to achieve a re-regulation of society given the constraints upon national-level activity emanating from the processes generally labelled 'globalisation'. Viewed collectively, the arguments contained within the existing literature are equally unable to provide a coherent explanation for the social democratic turn to Europe. Such a 'pooled' argument would claim that the social democratic turn to Europe is due to the attempt to re-regulate globalisation, according to 'new' social democratic principles of supply-side intervention and a reduced role for the state, within the existing 'normal' political institutions that exist within western Europe. However, again this explanation runs up against the same problems; namely, that social democratic support for European integration has been consistently portrayed as a means by which social democratic opportunities can be *extended*, whilst the transition to 'new' social democracy implicitly accepts that the reduction in scope for political opportunities to intervene within society (as fostered by the process of 'negative' integration) is inherently a good thing. From this perspective, there is no reason to expect that the social democratic turn to Europe should be portrayed by social democratic parties as an attempt to re-regulate 'globalisation' through supranational coordination at the European level. Indeed, we might expect that the possibility of doing so would actually be grounds for 'new' social democrats to prevent, rather than promote, the turn to Europe. Having failed to identify an adequate explanation for the social democratic turn to Europe within the existing literature, the following chapter will seek to develop an alternative, more adequate, explanation.

Chapter 2 – Towards a more adequate explanation: Legitimizing ‘New’ Social Democracy at the European Level

The preceding chapter introduced the problem confronting this thesis: to explain the social democratic turn to Europe given the apparently restrictive effect that European integration has upon the scope for implementing the traditional social democratic agenda of market-correcting public policy. The preceding chapter also illustrated the inadequacy of existing explanations for this social democratic turn to Europe. The turn to Europe cannot be explained in terms of an attempt to ‘re-regulate globalisation’ because there appears to be little opportunity at the EU-level to do so and evidence suggests that European integration actually limits the scope of political intervention and regulation. It also cannot be explained as part of an overall pragmatic adaptation to political reality as this fails to address the political implications of the research question we are seeking to answer. Finally, the social democratic turn to Europe cannot be viewed as part of an overall moderation of social democratic ideology due to the explicit claims within social democratic parties that the EU-level offers the opportunity to re-assert market-correcting policy goals that have necessarily (but unwillingly) been abandoned at the national level. Having failed to explain the social democratic turn to Europe given the lack of opportunities for market correcting policymaking at the EU-level, this thesis claims instead that the social democratic turn to Europe has occurred *because of* the existence of obstacles facing social democrats seeking to implement a market-correcting policy agenda at the EU-level. Indeed, it is

precisely these obstacles which make the European Union such a viable institutional forum within which to promote a social democratic agenda. The argument to be made in this chapter is that it is their turn to Europe that has enabled social democratic parties to ensure a moderation of their political programme in the short to medium term, whilst simultaneously ensuring the ongoing maintenance of a social democratic constituency, through the promotion of social democratic goals at the EU-level. Thus, having rejected the argument introduced in the previous chapter that the social democratic turn to Europe represents an attempt by proponents of 'new' social democracy to institutionalise the ideological moderation of social democracy (on the grounds that the turn to Europe has been accompanied by an attempt (rhetorically, at least) to extend the integration of market-correcting policy at the European level), the argument put forward here is that it is precisely the ability to promote *but not achieve* the implementation of market-correcting policies at the European level (in a process that I have labelled elsewhere, 'obfuscation through integration' (Bailey, forthcoming)) which explains the social democratic turn to Europe. This argument will be elaborated upon below.

2.1. Explaining the social democratic turn to Europe

In the previous chapter we observed the systematic turn by social democratic parties towards a more enthusiastic stance on European integration. Given the occurrence of this transition amongst social democratic parties across the EU, it is possible that there is common *social democratic* factor explaining this turn in each

case. This approach is compatible with a critical realist method, in that it seeks to identify the 'generative mechanisms' which are internal to the objects of our inquiry, in order that, having identified their manifestation in an observable pattern, we can understand the effect they have (Bhaskar, 1975, 1998; Sayer, 1992).

At the most abstract level⁶, social democratic parties are motivated by the need to realise two (closely inter-related) conditions in order to ensure their ongoing existence: the maintenance of a social democratic constituency and the successful interaction with the social formation within which social democratic parties are operating. Social democratic parties must ensure that they continue to exist as a viable political agent, which itself requires that they successfully engage with the social structure within which they are located. To understand the social democratic turn to Europe, therefore, we need to understand both the internal pressures resulting from the need to maintain a coherent and vibrant social democratic political movement and party, and the external pressures resulting from those parties' need to interact with their structural context in order for them to secure desirable outcomes (which themselves are crucial to the ongoing mobilisation of social democratic constituents). However, both the internal requirements necessary for the maintenance of a social democratic movement and the external structural context within which they are located are in a process of constant movement (either reproduction or transformation) over time. It is, therefore, necessary to describe the effect of these *historically-specific* internal

⁶ On the use of abstraction as a way of describing and depicting social reality at greater or lesser levels of generality (as employed here) see Hay (1996: ch. 1) and Sayer (1998)

requirements and contextual pressures in order to understand how they may have engendered the social democratic turn to Europe. This is a 'strategic-relational approach' in that it recognises the ongoing, historically-specific, reproduction of a strategically-selective context by strategically acting, inter-related, and (in-part) context-constituted individuals and groups (on the strategic-relational approach see Jessop, 1990; Hay, 2002b: 126-34). Indeed,

the current strategic selectivity of the state [and, for the purposes of this study, we can also apply this approach to any other political-institutional settlements, including the multi-level European polity] is in part the emergent effect of the interaction between its past patterns of strategic selectivity and the strategies adopted for its transformation. In turn the calculating subjects which operate on the strategic terrain constituted by the state are in part constituted by the strategic selectivity of the state system and its past interventions (Jessop, 1990: 262).

In particular, we can investigate the strategies adopted by social democratic parties and the strategically-selective political systems within which they were operating at the particular time of the social democratic turn to Europe, in order to see which elements of these strategies, and the strategically-selective structural context within which they were located, may have engendered the tendency (witnessed across western Europe) for social democratic parties to turn to Europe. It is the claim of this thesis that the social democratic turn to Europe is primarily an attempt to legitimate the transition from 'traditional' to 'new' social democracy that has occurred across western Europe since the mid-1970s. In particular, this

'new' social democratic turn to Europe has enabled social democratic parties to moderate their political programme whilst simultaneously ensuring a degree of ideological continuity with the preceding 'traditional' form of social democracy (and therefore ensuring the ongoing existence of a social democratic constituency). In order to understand how this came to be the case we need to look at both the historical development of social democratic parties and movements as strategic political agents and the strategically-selective structural context within which this development has occurred.

It is possible to roughly divide the historical development of social democracy into four stages: revolutionism, reformism, 'traditional' social democracy, and 'new' social democracy⁷. The revolutionary stage of social democracy emerged with the ascendancy of revolutionary communism associated with Marx and Marxism at the end of the nineteenth century. Whilst the First International (1864-76) had been divided between communists (Marxists), collectivists (anarchists), and socialists (moderates), the Second International (founded in 1889) was explicitly Marxist (officially since 1896) and adopted 'social democracy' as its label. Both the German Social Democratic Party (founded in 1875) and Lenin's revolutionary Russian Social Democratic Labour Party adopted the title, 'social democracy'. Thus, 'from the 1880s onwards the term 'social-democratic' referred to parties influenced by Marxism' (Moschonas, 2002: 18). The social democratic movement therefore began its life constructed around a commitment to Marxism, to the revolutionary emancipation of the working class, and to overthrowing capitalism and replacing it with a communist

⁷ This typology is adapted from Przeworski (2001).

society. The main problem facing social democratic parties during this phase, however, was the absence of a sufficiently large number of revolutionary working class individuals to sustain revolutionary social democracy as a viable political movement (Przeworski, 1985). As a result, social democratic leaders advocated the adoption of a reformist strategy in order to construct a more viable social democratic movement with the potential to turn this movement towards revolutionary aims once it had reached a sufficient size (see in particular Kautsky, 1918; Bernstein, 1899).

Advocates of a more reformist form of social democracy engaged in an intense ideological struggle against the revolutionaries within the Second International. The reformists sought an acceptance of the need for an accommodation of parliamentary politics and capitalism (at least in the short to medium term), whilst the revolutionaries expounded the need to overthrow both the liberal democratic state and the capitalist relations of production with which they associated that mode of political representation. This ideological fight continued throughout the first quarter of the twentieth century, with high-profile figures within the German SPD, such as Eduard Bernstein and Karl Kautsky, heading the argument for a reformist approach (an approach which was successfully realised in the German SPD with that party's decision to work within the German state in order to further the interests of the working class) and Lenin making the most vociferous case for the revolutionary wing (see Lenin (1902) for a fierce repudiation of the reformist strategy). It should be stressed, however, that whilst the reformist strategy did not represent a rejection of the Marxist end-goal of overthrowing capitalism and replacing it with communism, it did

represent a rejection of revolutionary insurgency as the *only* means through which the interests of the working class could be furthered (Sassoon, 1996: 5-26). However, following the October Revolution and the end of the First World War, the Second International imploded under the strain of its internal ideological divisions, resulting in Lenin leading the revolutionary wing to form the Third (Communist) International in 1919, and the reformist 'social democratic' wing remaining to form the Socialist International in 1923 (Moschonas, 2002: 20-1). Thus, from the 1920s onwards the label 'social democracy' came to be associated with the parliamentary route to socialism. From this point onwards social democratic parties sought to construct a social democratic constituency through the promotion of the interests of the working class and through an attempt to achieve the transition from capitalism to socialism *within the institutions of the nation state*, primarily through the promotion of universal suffrage, worker's rights, an extension of state spending on welfare provision, and the nationalisation of industry. Whilst this represented a distinct shift away from the revolutionary doctrine as it had come to be embodied in Marxist-Leninism, it also retained a large element of ideological continuity, in particular by virtue of its specific promotion of the interests of the working class and the transcendence of capitalism. Thus, whilst the means through which the working class would acquire control of the collectively-owned means of production, and therefore overthrow capitalism, may have changed, the end goal remained the same. In this way, the construction of a social democratic constituency was bolstered by a more moderate and viable strategy of engagement with the structural context within which social democratic parties found themselves. In particular, through

the utilisation of (rather than opposition to) the powerful political capacity of the nation state, and the benefits for working class constituents that could be secured within it, social democratic parties sought to increase their political strength and size. This obviously required an acceptance of the rules of the political game that upheld the nation state, but this moderation was deemed both acceptable and necessary in order for social democratic parties to achieve outcomes favourable to its constituency, for the growth of its support and, therefore, influence (for an interesting account of these debates see Laclau and Mouffe, 1985: ch. 1).

However, 'reformist' social democracy faced a serious problem. On one hand, successful engagement with the democratic nation-state required that social democratic parties secure a majority (or close to majority) of the support of the electorate in order for it to implement its political programme. However, by restricting the scope of its agenda to the promotion of working class interests, social democratic parties also limited the size of their natural constituency. Further, the industrial working class (members of which would most easily identify with the policies being promoted by social democratic parties) itself did not form a majority (or close to majority) of the national electorate (Przeworski, 1985). In order to overcome this problem, social democracy metamorphosed again, this time into 'traditional' social democracy, a phase in the development of social democracy that has come to be associated with the post-1945 *Trente glorieuses* (Callaghan, 2000a: ch. 1). It is during this period that, having earlier abandoned its opposition to the liberal democratic state, social democracy came also to abandon its general opposition to capitalism. In an attempt to extend its electoral appeal beyond an exclusive appeal to the industrial working class,

'traditional' social democratic parties sought also to appeal to the national interest, and in particular to certain sections of the middle classes and public sector employees. Further, central to 'traditional' social democracy was the adoption of Keynesian macroeconomics, which enabled an appeal to *both* the traditional working class constituency of social democratic parties *and* the rest of the national electorate (in particular, sections of the middle class and public sector employees, whom the social democratic parties courted). Indeed, the Keynesianism adopted by 'traditional' social democratic parties held that the national interest was compatible with the promotion of more longstanding social democratic interests, principally because Keynesianism advocated government spending in order to rectify the inherent tendencies to recession intrinsic to the operation of a market economy. By directing this counter-cyclical spending towards the working class, the poor, and the expansion of public sector services, social democratic parties were able to simultaneously promote both the interests of their traditional constituents and the national electorate as a whole. Thus, 'Keynesianism made possible an *electorally ideal juncture* between the sectoral interests of the working class (fairer distribution of wealth, full employment, strengthening of the role of trade-unionism) and the national interest (sustaining growth)' (Moschonas, 2002: 21). It is during this stage that 'traditional' social democracy was classically defined in the following terms:

First, an acceptance of a capitalist economy is coupled with extensive state intervention to counteract uneven development. Second, Keynesian steering mechanisms are used to achieve economic growth, high wages, price stability, and full

employment. Third, state policies redistribute the economic surplus in progressive ways, through welfare programs, social insurance, and tax laws. And, finally, the working class is organized in a majority-bent social democratic party closely linked to a powerful, centralized, disciplined trade-union movement (Kesselman, 1982: 402).

Indeed, 'traditional' social democracy accepted both the market and the democratic state, whilst retaining the possibility of utilising its access to both in order to temper the effects of capitalism and to benefit the interests of its traditional constituency (the working class) at the same time as benefiting the national electorate as a whole. In this way, 'traditional' social democracy aimed to maintain a coherent social democratic constituency whilst further moderating its policy stance in order to achieve a more successful engagement with its strategically-selective structural context. The incorporation of Keynesian macroeconomics into 'traditional' social democratic ideology was central to the maintenance of a social democratic identity as it enabled social democratic parties to continue to promote working class interests through the institutions of the nation state despite the necessary moderation of its anti-capitalist position due to the electoral pressures arising from the earlier decision to pursue influence through parliamentary politics. Once anti-capitalism was abandoned, social democratic parties needed to find alternative concepts through which to construct a social democratic constituency. Keynesianism enabled this as it allowed an acceptance of capitalism and the promotion of the wider national interest to be reconciled with the promotion of the interests of the working class.

The post-war success of the ‘traditional’ social democratic strategy, however, has been in reverse from the mid-1970s onwards. Many of the policy achievements and institutional arrangements that had been initially promoted by ‘traditional’ social democratic parties came to be associated with the success of the *Trente glorieuses* (the thirty years that constituted the so-called golden age of high growth, low unemployment capitalism from 1945 to 1975), during which many of its central premises became acceptable across the spectrum of mainstream political parties (although with obvious differences in emphasis according to the parties’ position on the ideological spectrum), leading to the period also acquiring the title of the Keynesian consensus. However, once the post-war Keynesian consensus came to an end in the mid-1970s, so the political movement that had come to be most attached to the promotion of Keynesianism – social democracy – also came to suffer from a serious legitimisation crisis (Thomson, 2000; Scharpf, 1991). The success of ‘traditional’ social democratic parties during the *Trente glorieuses* rested on their ability to deliver a class compromise between organised labour and capital, thereby ensuring high levels of growth, low levels of unemployment and an extra-market redistribution of resources to social democratic parties’ core constituents, thereby reconciling partisan demands with national ones. In contrast, the demise of the Keynesian consensus was marked by the increasingly incompatible demands of organised labour and capital, low growth rates, high unemployment, low inflation, a series of currency crises, and industrial unrest, all of which resulted in the (attempted, partial and/or complete) dismantlement of the various institutions underpinning the *Trente glorieuses*, including universal welfare states, corporatist decision

making, the Bretton Woods exchange rate system, controls over capital flows and trade, state-owned industries, fiscal redistribution, the commitment to full employment, and other forms of state intervention in the economy. This presented social democratic parties with a considerable dilemma. The policies of the Keynesian consensus had enabled social democratic parties to reconcile the internal demands of party-building with the external demands of vote-winning due to its reconciliation of working class interests with the national interest. Once Keynesian policies ceased to work, therefore, social democratic parties were left with the equally unattractive options of rejecting their established programme (and alienating a large section of their core constituency) or continuing with an unsuccessful (and therefore electorally unviable) programme. The actions required to legitimate 'traditional' social democracy as a viable political doctrine, and therefore maintain a social democratic constituency, had become incompatible with the actions required for social democratic parties to successfully engage with the structural context within which they were located.

The adaptation by social democratic parties to this new (and less friendly) strategically-selective terrain generally took the form of a gradual adoption of a 'new' social democratic programme (Gamble and Wright, 1999a). 'New' social democracy represents a retrenchment from 'traditional' social democratic aims in that it envisages a lesser role for political institutions and a greater reliance upon the market and the individual. Indeed, the scope and ambitions of social democratic parties have been curtailed in order for 'new' social democratic parties to re-acquire electoral and governmental viability (see Volkens, 2004 for a comparative study with findings that confirm these claims). 'New' social

democracy is characterised by its acceptance of much of the 'neo-liberal' critique of 'traditional' social democracy (Przeworski, 2001: 320-2), including the need for balanced budgets, for a focus upon low inflation in macroeconomic policy, for a reduction in the level of disincentivising income transfers⁸, for economic intervention to be limited to the supply-side in order for macroeconomic policy to facilitate (rather than temper) the role of the market⁹ (Thompson, 1996; Thomson, 2000: 156-7), and an acceptance of 'the association between collective provision and bureaucratic inertia'¹⁰ (Sassoon, 1996: 735). Within these limits, political intervention in the economy may take the form of public service provisions that benefit the *national* interest (such as health and education), but not those that are specifically in the interest of the working class. Thus, 'the parties aim to follow

⁸ Whilst public services that facilitate action in the labour market are to be welcomed (i.e. training, education, active labour market policies), those that support the unemployed in a position of 'dependence' (such as unemployment benefit and social insurance) are to be avoided.

⁹ Thus, 'the possibilities for mitigating deprivation and inequalities are now seen in quite different terms from the 'traditional' emphasis on Keynesian demand management and a universalist welfare state. These are now seen as hampering the capacities of national economies to compete successfully in the global economy. In contrast, supply-side interventions in terms of, for example, developing education and training are seen as the best approach to mitigation since they enhance economic dynamism and competitiveness' (Stammers, 2001: 36-7).

¹⁰ This includes a 'shift in the delivery of public services to be more consumer-based, affordable and responsibility-based. These new forms of public-sector service delivery look to the private sector for 'best-practice' techniques and the market may even gain a role in public provision' (Thomson, 2000: 157).

national policies that reflect the interests of the whole of the population. This it is hoped will replace the notion of some social democrats being too closely associated with sectional interests such as the trade unions' (Thomson, 2000: 157). Further, macroeconomic policy is geared towards ensuring the supply of a skilled and flexible labour force and equality of opportunity is to be achieved through meritocratic mechanisms such as education and training, and through a greater emphasis upon means-tested benefits (Powell, 2004; Sassoon, 1996).

The transition from 'traditional' to 'new' social democracy therefore included a number of fundamental changes to the social democratic programme. In particular, it included (in contrast to 'traditional' social democracy) a rejection of the view: (a) that political intervention in the market can produce more desirable social, political and economic outcomes than if the market is able to function effectively¹¹; (b) that the state is an institution through which to pursue working class interests, and (c) that the state should be responsible for the economic well-being of society. There are, nevertheless, certain elements of ideological continuity between 'traditional' and 'new' social democracy. These include: (a) supply-side intervention is viewed as a means through which to regulate, facilitate and stimulate the economy, thereby retaining a role for political institutions within the economic management of the economy; (b) an attempt is made to tackle inequality (albeit through measures to ensure that individuals are

¹¹ Thus, whereas under 'traditional' social democracy the assumption was that state intervention and management was necessary in order for the market to function effectively, under 'new' social democracy the assumption is that the market is able to function effectively by itself and only requires political intervention under special circumstances.

able to become self-sufficient within the market place, rather than through direct state assistance); (c) a commitment to *efficient* public service provision in areas of the *national* interest, thereby ensuring continuity between the ‘traditional’ social democratic attachment to the Keynesian welfare state and the ‘new’ social democratic commitment to efficient national public services. Based on these similarities, advocates of ‘new’ social democracy have portrayed it as the promotion of historically-intransient social democratic aims in a form adapted to suit the present economic, political and ideological climate. Thus, Pierson attempts to define the essence of social democracy in terms that are applicable to both ‘traditional’ and ‘new’ social democracy when he claims,

what most persuasively identifies social democratic politics is not so much particular policy instruments (however generally these are characterized), perhaps not even policy ambitions (beyond a very general disposition to ameliorate some types and levels of inequality), but rather an approach to the political process – above all, a commitment to piecemeal and ‘progressive’ change through legal-constitutional and generally parliamentary methods (Pierson, 2001: 56).

However, the attempt to adopt a ‘new’ social democratic policy programme was especially problematic for a number of social democratic parties. In particular, social democratic parties were faced with a trade-off between electoral viability and the consolidation of the party’s core constituency. This is a dilemma that faces every party (Rose and Mackie, 1988; Kitschelt, 1989) and is what Bale (1999: 7) refers to when he claims, ‘the essence of both leadership and

party success would seem to be the achievement of a satisfactory trade-off between ideological introversion and electoral extroversion, between principles and power'. However, following the failure of Keynesian macroeconomics, which (as we have seen) was so essential to the legitimation of 'traditional' social democracy, this trade off became particularly dilemmatic for social democratic parties (Koelble, 1992; Thomson, 2000: 1, 19-24). The seriousness of this dilemma manifested itself in a number of ways, including internal party division between 'modernisers' seeking to reject the old Keynesian programme and 'traditionalists' seeking to protect it, policy failures resulting from an attempt to implement out-dated and inappropriate programmes, electoral hostility to unfeasible policies (in the case of the more traditional parties) or to unprincipled vote-seeking (in the case of the more adaptable parties), and the dissipation of a coherent social democratic constituency due to the instability of the social democratic aims and values that made up its internal identity.

It is the claim of this thesis that the social democratic turn to Europe has been central to the (relatively) successful transformation from 'traditional' to 'new' social democracy due to its ability to ensure a degree of ideological continuity between 'traditional' and 'new' social democracy. The claim of this thesis is that the 'new' social democratic turn to Europe contributes towards the maintenance of a coherent social democratic constituency, despite the significant downscaling of historical social democratic goals, aims and values produced by the transformation from 'traditional' to 'new' social democracy, due to the opportunities for the promotion of a 'progressive' agenda within the institutions of the European Union. In particular, the EU-level provides an opportunity for

pursuing the implementation of historically-developed social democratic aims that have (apparently) become impracticable at the national level. Indeed, to many supporters of a more 'traditional' form of social democracy, the EU-level represents an opportunity to pursue more 'traditional' social democratic aims due to the increased territorial scope of the institutions of the European Union, and the potential this holds for circumventing the problems posed by the increased exit options of capital in the contemporary international economy (a problem that has been consistently identified by social democrats in order to explain the failure of the 'traditional' social democratic project at the national level). In this way, the turn to the EU-level represents a continuation of the view that social democratic parties represent the side of 'regulation' in the political struggle with capital, thereby ensuring a degree of ideological continuity between 'traditional' and 'new' social democracy. Further, the EU-level created the possibility that 'progressive' political intervention, which, as Pierson notes, represents the principle underlying social democracy throughout its historical development, could be pursued and implemented on a pan-European basis, thereby maintaining a 'progressive' role for political institutions, and thus for social democracy generally. Thus, 'new' social democracy utilises the EU-level in order to achieve an additional institutional opportunity for public policy to be oriented towards the amelioration of social, political and economic inequalities, and to attempt to provide some kind of order to the vagaries of the market. Therefore, a degree of continuity between 'new' social democracy and the social democracy that has preceded it is secured through the pursuit of such initiatives at the EU-level. This therefore allows social democratic parties to continue to construct and

promote the interests of a social democratic constituency, whilst simultaneously making the necessary revisions to the social democratic programme that enables its successful engagement with the strategically-selective structural context within which 'new' social democratic parties are located, and within which 'traditional' social democratic aims appear to have become unviable. However, this brings us to the dilemma that we posed in the first chapter: namely, if the limits to public policymaking within the European Union are such that European integration has actually acted to limit the scope of social democratic activity, then how can the EU-level represent an opportunity around which to maintain social democratic ideological continuity?

It is the claim of this thesis that it is precisely the existence of substantial *institutional* limits to social democratic policymaking at the EU-level, despite the conceivable transcendence (through supranational cooperation) of the problems of scale associated with the ascendance of 'globalisation', that explains the 'new' social democratic turn to Europe. Thus, whilst it is conceivable that social democratic parties may overcome many of the institutional limits to policymaking at the EU-level in the long-term (and therefore take advantage of the increased policy opportunities arising from the increased scale of the European Union), there are, nevertheless, substantial *institutional* limits preventing such outcomes from arising in the short-to-medium term. In fact, as noted, these limits actually act to ensure that European integration brings with it, in the short-to-medium term, a downscaling of the scope of policymaking across the multi-level European polity. However, as many of the problems facing social democratic parties in the past thirty years have been consistently portrayed in terms of a problem of scale

(in other words, the nation-state is portrayed as an inadequate institutional vehicle within which to regulate 'globalisation'), the attempt to construct a social democratic framework of regulation at the European level represents an opportunity (in the long term) to overcome these problems, *provided the existing institutional constraints can be overcome*. In this way, 'new' social democratic parties can moderate their political programme at the national level and adopt a pro-EU stance (despite European integration's role in institutionalising these limits), precisely because the EU represents the opportunity to overcome these limits and re-regulate 'globalisation' at some point in the future. The turn to the European Union, therefore, enables social democratic parties to bolster the social democratic constituency that has developed historically around the promotion of regulation and progressive public policy, despite the absence of actual institutional opportunities to implement such a programme, precisely because the turn to Europe represents an attempt to overcome the problems of scale that apparently obstruct the implementation of a more 'traditional' social democratic agenda at the national level. In this way, the 'new' social democratic turn to Europe enables the continued legitimation of social democracy by maintaining its continued historical viability as a redistributive political strategy.

Nevertheless, rather than representing an opportunity to promote 'traditional' social democratic goals within a more suitable institutional forum, the utility of the EU-level to 'new' social democratic parties, according to this thesis, is precisely that a more substantive, 'traditional' social democratic agenda *cannot* be implemented in the short-to-medium term (despite the conceivability, in terms of scale, that it could be in some point in the future), during which time it actually

acts to limit the scope for implementing such a programme. In this way, the 'new' social democratic turn to Europe represents an acceptance of the limits to social democratic policymaking in the present (thereby assuaging many of the pressures for moderation arising from the demise of the Keynesian consensus and the increased internationalisation of the global economy), whilst simultaneously bolstering a social democratic constituency with the promise of regulation of the economy and the promotion of 'progressive' public policy at some distant point in the future when the problems associated with the positive integration of public policy at the European level have been overcome. Thus, according to this argument, it is precisely because there are institutional limits to the implementation of such a 'progressive' agenda at the EU-level, combined with the increased territorial scale of the EU and the potential this holds for regulating 'globalisation', that the European Union represents such a viable institution within which to promote social democratic goals and to secure the maintenance of a social democratic constituency. In short, the 'new' social democratic turn to Europe has enabled social democratic parties to moderate their policy ambitions, whilst simultaneously acting to retain a degree of ideological continuity with preceding forms of social democracy, in order to maintain a sustainable social democratic constituency by enabling the promotion of a social democratic agenda at the EU-level. It is the impossibility of implementing such an agenda in the short-to-medium term (due to the limits to policymaking within the European Union, as outlined in chapter one), combined with the 'counter globalisation' logic implicit within the turn to an institution of increased territorial scope, that allows social democratic parties to both promote a social democratic agenda *and*

successfully moderate the aims and achievements of social democratic parties. It is, therefore, because the achievement of a social democratic agenda at the EU-level is implausible in the short-to-medium term that it is viable to pursue its realisation. In this way, social democratic parties have been able to simultaneously moderate their policy ambitions (in accordance with the strategical-selectivity of the multi-level European polity from the mid-1970s onwards) and maintain a coherent social democratic agenda (and therefore help to sustain their social democratic constituency) through the 'new' social democratic turn to Europe. It is this ability to simultaneously realise the conditions of social democratic parties' existence – conditions that had become incompatible at the national level – that, this thesis argues, explains the reason for the social democratic turn to Europe.

However, the most likely objection to this argument is that, rather than representing an opportunity to 'new' social democratic parties due to the *implausibility* of re-regulating 'globalisation' at the European level, the turn to Europe could indeed represent a real attempt to find a new and more viable institutional vehicle within which to promote a more 'traditional' and progressive social democratic agenda. Whilst not disputing that the social democratic turn to Europe does, for some social democrats, represent an attempt to extend the scope of social democratic policymaking in the light of the apparent constraints emerging from 'globalisation', this thesis claims instead that, even for those social democrats who genuinely seek a re-assertion of social democratic goals at the European level, it is precisely the implausibility of doing so that makes the European level a suitable institution within which to promote these aims. To put

it bluntly, since the demise of the post-war Keynesian consensus and the end of the *Trente glorieuses*, substantial ('traditional') social democratic goals can only be promoted (and therefore utilised as a means to consolidate a social democratic constituency) if they also cannot be achieved. Through the turn to the European level, social democratic parties are able to re-assert social democratic aims in an institution that is apparently more suitable (due its increased territorial scope) but in reality is unamenable to social democratic outcomes (due to the various institutional constraints upon policymaking at the EU-level), therefore enabling social democratic parties to retain a social democratic identity, to maintain the viability of their social democratic programme, and thereby legitimate the social democratic strategy of pursuing redistributive market correcting public policy, and, therefore (and most importantly), continue to construct a workable social democratic constituency despite the necessary moderation of social democratic aims and outcomes in the short-to-medium term.

To add further weight to this explanation we need to understand the factors that necessitated a moderation of 'traditional' social democracy in the first place. In particular, this thesis rests on an acceptance of the claim that the implementation of a more substantive social democratic agenda at the EU-level is itself unworkable. It therefore challenges the view that the need for a moderation of social democratic aims and outcomes is merely due to the unsuitably small territorial scale of the nation-state in the age of 'globalisation'. Instead, the claim is that substantive social democratic intervention *per se* became unfeasible following the end of the *Trente glorieuses*. In order to cope with this ideological failure without undermining the entire *raison d' être* around which the

social democratic constituency has been constructed, and upon which its political agenda depends, it therefore became vital for social democratic parties to be able to promote a social democratic agenda in a form that was moderated by constraints (partly) external to social democracy itself; hence the attraction and suitability of the European Union and the constraints to policymaking internal to that institution. However, to accept this explanation requires that we accept that the moderation of social democracy was itself necessary and not merely a problem with the territorial scale of the institutions within which social democratic parties were seeking to realise their policy aims. In order to consolidate the present argument, therefore, we must turn now to a discussion on the demise of 'traditional' social democracy itself.

Chapter 3 - Explaining the Demise of ‘Traditional’ Social Democracy

It is the claim of this thesis that the introduction of a pro-European position has enabled social democratic parties to maintain a ‘progressive’ agenda through their advocacy of redistributive, democratic, regulative and egalitarian market-correcting policies at the European level. This has become especially important due to the apparent failure of social democracy as traditionally promoted through the nation state. Thus, the promotion of ‘progressive’ policies at the EU-level has helped to temper the internal disgruntlement of social democratic supporters and the appearance of irrelevance caused by the inability to produce (or continue to expand) social democratic outcomes. In this sense, the ‘new’ social democratic turn to Europe is portrayed in this thesis as a process of securing and legitimating the necessary moderation of social democracy. Social democratic parties have curtailed their public policy ambitions and (partly) secured the legitimation of this moderation through the (rhetorical) pursuit of ‘progressive’ policy outcomes at the European level. In this chapter I want to further substantiate this claim by arguing that social democracy *per se* required moderation following the decline in growth that has occurred since the mid-1970s across western Europe, and that therefore claims that the moderation of social democracy is due to a problem with the territorial scale of the nation state (which can thus be rectified through the turn to supranational integration) are spurious. In this way, the ‘new’ social democratic turn to Europe will be shown to be a

legitimation of the necessary moderation of 'traditional' social democracy, rather than merely recourse to an institution located at a more suitable scale for the promotion of 'traditional' social democratic aims and goals. In order to make this case I will review the existing explanations for the moderation of 'traditional' social democracy and its transition to 'new' social democracy and show how it is those analyses which identify a flaw in social democracy itself that most adequately explain its moderation.

Scholarly attempts to explain, describe, rebuke and assess the decline of 'traditional' social democracy abound. These can be roughly divided into three types: (1) those that view the retrenchment and moderation of social democracy as a positive process resulting from the political and/or ethical superiority of 'new' over 'traditional' social democracy (Blair, 1998; Giddens, 1998; Kitschelt, 1994; Pierson, 2001); (2) those that regret the demise of 'traditional' social democracy and/or view social democratic policies as more (rather than less) suitable to the new political-economic structural environment, and therefore view the demise of 'traditional' social democracy as the result of misconceptions held by either social democratic actors or the electorate as a whole (Hay, 1999a, 2000a, 2002a, 2003; Callaghan, 2000a, 2002, 2003; Garrett, 1998; Boix, 1998; Clift, 2002; Swank, 2002; Huber and Stephens, 2001); (3) finally, those that are more deeply critical of the social democratic strategy, and therefore view the decline of 'traditional' social democracy as the logical result of its internal failings (Offe, 1984; Coates, 2001; Petras, 2000; Nairn, 2000; Jessop, 2002). I will examine each of these perspectives in turn.

3.1. 'New' Social Democracy as an improvement over 'traditional' social democracy

Advocates of 'new' social democracy, the most prominent of whom include Tony Blair, Gerhard Schroeder and Anthony Giddens, have argued that the moderation of social democracy from its 'traditional' to 'new' form represents a moral, practical and political improvement within the social democratic movement. For instance, in what is possibly his most coherent and articulate defence of the modernisation of social democracy, Blair argues in *The Third Way: New Politics for the New Century* (Blair, 1998), that 'new' (or 'third way') social democracy represents a significant improvement over both 'traditional' social democracy and neoliberal conservatism. Blair's main criticism of 'traditional' social democracy focuses upon its over-reliance upon the instruments of the state to achieve its end goal of an egalitarian society. Blair claims that this concentration on the state in order to achieve the goals of 'traditional' social democracy resulted in two types of failure – practical and moral. Practically, 'traditional' social democracy ceased to work because it was 'too inflexible' and therefore became 'ineffective at promoting growth and containing unemployment in a world of growing competition, external shocks and industrial and technological change' (Blair, 1998: 5). Morally, an overbearing state restricted the scope for individual liberty in a way which was self-defeating in terms of the moral goals that social democrats set themselves. Thus, Blair claims that 'traditional' social democracy 'stifled opportunity in the name of abstract equality', fostered dependence upon

the state in a way that hindered the development of individual autonomy¹², and sought to replace civil society with the state in order to achieve freedom (Blair, 1998: 1-4). The retrenchment of social democracy therefore represents, for Blair, an improvement in social democratic ideology precisely *because* it symbolises a retrenchment or reduction in the scope of public policy and political intervention in the economy. A more legitimate role for the state is one that enables individuals, communities and voluntary organisations to achieve freedom, rather than providing those individuals with state-prescribed freedom and equality.

This critique of an overly-statist social democracy has been developed with greater theoretical rigour by Anthony Giddens, the leading academic proponent of 'new' or 'third way' social democracy. Giddens claims that a number of factors have disturbed the stable certainties which characterised the period that he labels 'simple modernization' and which underpinned both the basic contrast between conservatism and 'traditional' social democracy and the gradual and ongoing construction of the welfare state associated with the political project of the latter. According to Giddens,

The 'class compromise' of welfare institutions could remain relatively stable only so long as conditions of simple modernization held good. These were circumstances in which 'industriousness' and paid work remained central to the social system; where class relations were closely linked to communal forms; where the nation-state was strong and even in some respects further developing its sovereign powers; and where

¹² In Blair's words, 'traditional' social democrats promoted 'unemployment benefits without strong reciprocal obligations' (p. 3).

risk could still be treated largely as external and to be coped with by quite orthodox programmes of social insurance. None of these conditions hold in the same way in conditions of intensifying globalization and social reflexivity (Giddens, 1994: 149).

Thus, Giddens understands the retrenchment of social democracy as the result of its incompatibility with the new social conditions that he describes as 'reflexive modernization' and which include the impact of globalization, changes to personal lifestyles and the erosion of many of the traditions that provided social stability during the period of 'simple modernization'. In brief, 'reflexive modernization' refers to the increasing choice and reflection that individuals are able to acquire in light of the economic, technological, communication and organisational innovations that have occurred over the past twenty to thirty years. Giddens argues that the expansion of human interaction to the global level has made available a myriad of lifestyle options to individuals, thereby undermining stable conceptions of morality, tradition and (self-) identity (Giddens, 1994: 80-7). This new, less stable, more uncertain, period of 'reflexive modernization' brings with it a new kind of risk – manufactured risk – one created by individual human choices and actions, and therefore one that is itself much less predictable and stable. The welfare state is much less able to safeguard against 'manufactured risk' than it was against the more stable forms of 'environmental risk' that existed under 'simple modernization'. Indeed,

Manufactured risk is unstable in relation to both human and natural environments of action. It can no longer be confronted in an actuarial way, through the control of the

‘routine disorder’ of environments, including the environment of capitalistic production as well as of nature’ (Giddens, 1994: 150).

From this perspective, the moderation¹³ of social democracy should be understood as an attempt to retain social democratic commitments to equality, social justice, freedom and protection of the vulnerable in a way that is compatible with the new conditions of globalisation and individualism (Giddens, 1998: 27-68).

Giddens argues that the traditional welfare state focused on tackling negativity within society; treating citizens as passive recipients of welfare benefits from an ‘undemocratic’ and ‘top-down’ institution. Indeed, ‘some forms of welfare institution are bureaucratic, alienating and inefficient, and welfare benefits can create perverse consequences that undermine what they were designed to achieve’ (Giddens, 1998: 112-3). What is needed in the period of ‘reflexive modernisation’ is a focus on positive welfare; to encourage and empower individuals in order that they can be as productive as possible: ‘the guideline is investment in *human capital* wherever possible, rather than the direct provision of economic maintenance’ (Giddens, 1998: 117). From this perspective, then, the renewal of social democracy represents a willing retrenchment in the face of globalisation and the connected rise in individual autonomy; it is an attempt to ‘help citizens pilot their way through the major revolutions of our time’ (Giddens, 1998: 64) - one that both recognises the importance of adapting to these changes and welcomes the positive opportunities they represent.

¹³ Or ‘renewal’ to use Giddens’ rather more optimistic term.

From a similar perspective, certain theorists of 'new' social democracy view the retrenchment of social democracy as an astute adaptation to the new political and social conditions facing social democratic parties. Thus, whilst 'traditional' social democracy may have been a suitable doctrine during the post-war period, 'new' social democracy is the most progressive political programme available to social democratic parties in the era of 'globalisation'. This argument has been made by a number of observers who perceive the transition to 'new' social democracy as the most favourable of the *viable* options available to social democrats in light of the constraints imposed by the changes to the international political-economic structural environment. Thus, Kitschelt argues that the decline in nationally-focused production and the rise in 'client-processing' jobs in the service industry have combined to shift the main issue dividing opinion within developed countries from the state versus the market, to left-libertarian versus right-authoritarian questions of lifestyle. The strategy that delivers political parties the most success in terms of vote-maximisation, therefore, is one that accepts the ongoing existence of the free market, and shifts instead to a concentration on the promotion of a left-libertarian programme (Kitschelt, 1994; for similar arguments see Pierson, 2001; for arguments outlining the negative implications for 'traditional' social democracy of changes in the international economy see Pontusson, 1995; Gray, 1998; Cerny, 1996; Strange, 1996).

To summarise, for the advocates of 'new' social democracy, who view the moderation of social democracy as a political improvement over 'traditional' social democracy, the latter suffered from two main problems. Firstly, it relied

too heavily upon state provisions and direct government intervention in order to achieve emancipatory aims such as greater equity, equality and freedom. These 'traditional' social democratic instruments impeded upon individual autonomy and stifled individual innovation. Secondly, economic, technological, organisational and intellectual developments have created a much more complex world in which the implementation of statist policies have become impracticable. 'Traditional' social democracy is therefore both ineffective and impractical. However, these explanations are subject to two central criticisms. Firstly, the claim that social democracy and statist public policy impedes upon individual autonomy is not a new claim. Centralised state intervention has been resisted throughout the modern period, by both liberals and conservatives, precisely on the basis that it hinders individual autonomy and individual utility-maximisation (for instance, Hayek's *Road to Serfdom* was first published in 1944). Thus, to view the moderation of social democracy as an ethical improvement over 'traditional' social democracy represents an admission that social democrats were wrong when they rejected such claims in the past. Any explanation for the contemporary retrenchment of social democracy needs, therefore, to explain why social democrats accept the need for less public intervention when they refused to do so in the past. The answer to this question is invariably that 'traditional' social democracy is no longer a practicable political-economic doctrine, at which point this explanation begins to sound more like a post-hoc rationalisation of necessary political changes rather than a valid claim that 'new' social democracy represents a moral improvement over its predecessor. Thus, we are left with the claim that

'new' social democracy is the most *practical* form of social democracy that can expect to succeed in the present.

However, (and this is the second criticism), attempts to explain the contemporary impracticability of 'traditional' social democracy in terms of 'globalisation', 'reflexive modernisation', and/or the increasing complexity, interdependence and internationalisation of contemporary socio-economic relations, run the risk of merely re-stating the initial problem. Indeed, whilst we are trying to understand what factors have created the situation that prevent the contemporary implementation of 'traditional' social democracy, an explanation which cites the conditions of globalisation, reflexivity and complexity risks re-describing the conditions which preclude 'traditional' social democracy without illuminating any of the reasons why these conditions arose in the first place. Indeed, in many ways, the demise of 'traditional' social democracy *is* (at least in part) what people mean when they refer to 'globalisation'. For many commentators, globalisation refers to the increasing international (particularly economic) interactions that have occurred since the demise of the Bretton Woods regime. If this is the case, then what we require is not merely a description of the globalisation, reflexivity and complexity that have come to be associated with the post-Bretton Woods period, but rather an explanation for why the Bretton Woods regime and Keynesian consensus ended and 'traditional' social democracy located within relatively closed nation-states ceased to be a viable political project, and why globalisation, reflexivity and complexity have come to replace the certainty of the modern period. In other words, why did 'traditional' social democracy, and the institutional framework within which it was embedded, fail?

3.2. The demise of ‘new’ Social Democracy as an unnecessary and regrettable mistake

In stark contrast to the perspective outlined above, an alternative perspective has emerged in the literature on the modernisation of social democracy which claims that rather than representing a political and moral improvement over ‘traditional’ social democracy, ‘new’ social democracy is, rather, an unnecessary and regrettable retreat by the social democratic movement. This view has been voiced most consistently in the academic field by Colin Hay, John Callaghan and Geoffrey Garrett, each of whom has sought to show that there is greater scope for political intervention than that claimed by the incumbent leadership of the ‘new’ social democratic parties. This line of argument can be divided into three types. Firstly, the existence of examples of political intervention in the economy that deviate from the neo-liberal ideal around which countries’ economic policies are supposedly converging (according to proponents of the globalisation thesis) is provided as evidence that more heterodox economic policies are possible, and that the convergence that may be occurring in some countries and regions has more to do with the contingent decisions of policymakers than with objective structural constraints (Hay, 2000a; Watson and Hay, 2003; see also Clift, 2003a; Weiss, 1998). Secondly, evidence that the social conditions which existed in the period associated with ‘traditional’ social democracy have not changed as radically as the proponents of the ‘globalisation thesis’ claim is used to argue that social democracy is still a viable political project (Callaghan, 2000a, 2002; Hay, 2003;

Hirst and Thompson, 1999). Finally, comparative analysis has been employed to illustrate the way in which recent changes to the international economy may actually favour, rather than render impracticable, the adoption of social democratic practices of regulation and economic management in order to achieve the optimal adaptation of the national economic model to the new international economic climate (Garrett, 1998; see also, Hall and Soskice, 2001; Boix, 1998; Huber and Stephens, 2001; Swank, 2002). We shall address each of these positions in turn.

The claim that the shift to 'new' social democracy is regrettable and unnecessary due to the existence of divergent economic policies which evince the possibility of heterodox, more 'traditional', social democracy, has been made most consistently by Colin Hay. In a series of articles and books Hay has made this case with regard to both the neo-liberal policies emerging from the European Union and the British Labour Party (Hay, 1999a, 2000a, 2000b, 2002a; Watson and Hay, 2003). However, despite the specificity of these arguments to the EU-level and to the UK, by implication we can derive similar explanations for the retrenchment of social democracy in other countries. In short, Hay argues that the possibility for social democratic intervention in the economy is considerably wider than many 'new' social democratic parties and their respective incumbent leaderships appreciate (Hay, 2000b). In particular, these actors have been too easily convinced by the 'globalisation' thesis, which claims that the scale and scope of international economic interdependence has rendered much of 'traditional' social democratic intervention obsolete (Watson and Hay, 2003). Instead, the persistence of regional and national variation illustrates the continued

possibility for social democratic intervention at both the national (Hay, 2000a, 1999) and supranational (Hay, 2002a) levels. Indeed, according to Hay, if the retrenchment of social democracy is due to any ‘structural’ factor¹⁴ it is the perception held by social democratic actors that globalisation has rendered their ‘traditional’ political project obsolete, combined with the success of conservatives and neoliberals in implementing their own political project at the European level (for instance, see the restrictions placed upon national policy making by the Maastricht convergence criteria and Growth and Stability Pact) (Hay, 2003).

The obvious question facing the Hay thesis, then, is that of why, given the absence of structural necessity, ‘new’ social democratic party actors have retracted their prior public policy goals and ambitions. The answer provided is that social democratic moderation is due to electoral considerations and, in the particular case of the British Labour Party, a strategic decision to ‘appeal to the median voter in ‘middle-England’ marginals’ (Watson and Hay, 2003: 302). According to Watson and Hay, this contingent, strategic decision brought with it the need to convince the electorate that the Labour Party’s new political-economic programme was held with conviction. This required the location of social democratic retrenchment within the discourse of ‘globalisation’, according to which economic liberalism is a necessary programme irrespective of whether the proponents of ‘New’ Labour favour it or not.

In sum, then, we suggest, it was Labour’s perceived electoral expediency which drove

¹⁴ By ‘structural factor’ I mean here a factor other than the conscious decision by social democratic party actors to reduce the scope of their public policy ambitions.

it to adopt a necessitarian discourse of globalisation rather than the converse (Watson and Hay, 2003: 302).

From this perspective, the moderation of social democracy has been a voluntary, strategic act, entered into in order to court the vote of the middle classes. Yet this decision itself could be viewed as a structurally-determined one. The ascendancy of the middle class associated with the rise of the service sector under post-Fordist capitalism could plausibly be claimed to have rendered 'traditional' social democracy untenable, therefore explaining the transition to 'new' social democracy and thereby negating the claim that this transition was unnecessary. However, rather than viewing the moderation of social democracy as structurally-determined in the last instance, Hay views the strategic decision to court the middle-classes as contingent (Watson and Hay, 2003) and further argues that the Labour Party was faced with an alternative strategy to change the preferences of the electorate rather than accept them as given. Indeed, according to Hay, the strategy of 'new' Labour can best be described as 'preference-accommodation' rather than 'preference-shaping' (Hay, 1999a). In the last instance, the retrenchment of social democracy is due to a lack of political will on behalf of the political actors leading social democratic parties. It is due to the refusal (or reluctance) of social democratic actors to propound the merits of a 'traditional' social democratic agenda.

The viability of this argument depends upon the viability of social democratic policies. Whilst many commentators have argued that 'traditional' social democracy has been rendered unfeasible due to general changes in

economic, social and political conditions (for the classic statement see Gray, 1996, 1998), another group have been arguing against the perceived irrelevance of 'traditional' social democracy. It is to this second group of globalisation-sceptics that we now turn. As noted, one of the leading advocates in this group has been John Callaghan (2000a, 2002, 2003; see also Clift, 2002). The main thrust of Callaghan's argument is that the conditions which sustained 'traditional' social democracy have not been eroded and therefore the moderation of social democracy cannot be understood as the result of this erosion. This is because, firstly, the conditions of the *Trente glorieuses* were not so conducive to 'traditional' social democracy as some advocates of the 'globalisation' thesis have claimed; and, secondly, the changes in the social conditions since the mid-1970s have been over-exaggerated by many social commentators (Callaghan, 2002). Indeed, Callaghan claims that 'globalisation' theorists' claims regarding the flexibilisation of the post-Fordist labour force are overstated, that there has historically been a weak link between the working class and social democratic parties' electoral strength (thus negating the 'decline of the working class' thesis), that class struggle heightened during the 1970s (i.e. at the very time when the space for class struggle was supposed to be narrowing), that the share of the vote gained by social democratic parties has remained stable, that the electoral weakness of post-materialist 'new Left' parties in comparison to the more longstanding social democratic parties is evidence of the continued dominance of the latter, that there has not been a retrenchment in welfare spending or a decline in public support for the welfare state, and there is no evidence supporting the 'social dumping' thesis (Callaghan, 2000a: 204-23). In identifying the absence

of empirical support for so many of the structuralist arguments used to explain the moderation of social democracy in terms of 'globalisation', Callaghan argues that although there has been a decline in the fortunes of social democratic parties and the policies traditionally promoted by them, this is more due to superficial problems connected to the cyclical problems of capitalist growth and a failure to convince the electorate of the value of social democratic responses to these problems, rather than more structural problems that rule out the possibility of a social democratic revival. In the case of both Hay and Callaghan, then, the explanation offered for the moderation of social democracy is, ultimately, a lack of conviction by social democrats in their own political programme. A renewed conviction would, accordingly, bring with it a renewed persuasiveness that could engender the resurrection of 'traditional' social democracy.

Finally, Garrett (1998) claims that whilst globalisation has been generally viewed as detrimental to the prospects for social democracy, in fact this view is based on false premises. Indeed, according to Garrett, globalisation increases the attractiveness of market-correcting measures because of the social instabilities it engenders. Further, social democracy can help (and not just hinder) a national economy compete in the internationalised economy, due to (a) the role played by supply-side infrastructural investment in stimulating growth, and (b) the ability to help regulate the labour market (when there are strong corporatist institutions) and ensure that organised labour accepts wage restraint in exchange for redistributive measures, thereby ensuring the supply of a well-disciplined and flexible labour market. Thus, in contrast to the claims of 'globalisation' theorists, social democracy and market intervention are both politically feasible and economically

viable (for similar arguments see Boix, 1998; Huber and Stephens, 2001; Swank, 2002). According to this argument, therefore, we should expect countries, such as Sweden, with a strong social democratic tradition, to fare best in the new international political economy, and to suffer least from the problems associated with redistributive policymaking in the era of ‘globalisation’.

Nevertheless, whilst these three strands of the claim that the moderation of ‘traditional’ social democracy is unnecessary and regrettable provide an interesting and empirically-sound caveat to the ‘new’ social democrats’ ‘globalisation’ thesis, there are a number of problems that render this explanation inadequate. In order to illustrate how this is the case I want to take each strand in turn. Firstly, the claim that social democracy is still a viable political project, as evinced by the existence of divergence from an anticipated ‘neo-liberal’ response to globalisation, is not necessarily evidence of the continued viability of ‘traditional’ social democracy, but rather evidence of the continued possibility for contingent responses and forms of adaptation to the changed international context within which social democratic parties operate. Thus, whilst there may well have been divergent responses to the reduced scope for pursuing social democratic aims, there is, nevertheless, a reduction in the range of social democratic aims that can realistically be expected to be realised. Thus, even commentators who highlight the divergent responses to the changes in the international political economy also acknowledge the emergence of constraining factors necessitating a *degree* of moderation in social democratic aims and outcomes. Hence, Clift claims,

The size, scale and speed of global financial flows mean that governments have to pay close attention to their credibility rating with financial markets... With this changed political context comes a change in the nature of the social democratic project, built upon macroeconomic stability. However, within a framework of a commitment to macroeconomic stability, there remains room for manoeuvre over the *degree* of 'orthodoxy', as well as a whole range of other economic policy tools which may be exploited to prioritize 'social democratic' goals (Clift, 2003a: 38).

In a similar vein, and based on wide ranging empirical evidence, Huber and Stephens conclude that, although the strength of the social democratic movement in a particular country affects the degree to which social democratic aims and achievements are still viable, nevertheless, 'government after government regardless of political colour embarked [during the 1990s] on new policies that often involved reining in the increase in expenditure and increasing revenue' (Huber and Stephens, 2001: 207). Thus, whilst not denying that a divergent response to the reduction in scope for social democratic action does exist, the existence of this degree of contingency does not itself negate the fact that a reduction in scope has occurred. It is this reduction that we are seeking here to explain, and the charge of miscalculation does not seem to stand up to empirical evidence and nor, therefore, can it be employed to explain the demise of 'traditional' social democracy.

Secondly, in reply to the claim that there is little evidence supporting the claim that the necessary preconditions for the successful implementation of 'traditional' social democratic policies no longer exist, a number of remarks can

be made. The most obvious being that, regardless of whether it is the result of a miscalculation or not, there still exists an identifiable trend since the mid-1970s for social democratic policies to result in (or at least to be perceived as resulting in) policy failure. In particular, whilst social democratic policies such as Keynesian macroeconomic management, redistribution and planning came to be associated with economic growth and social harmony during the *Trente glorieuses*, these same policies have come to be associated with a slow down in growth and an unsustainable level of social discord since the breakdown of the Keynesian consensus. Thus, whilst many of the conditions that existed during the period in which 'traditional' social democracy was most successful may indeed still exist in the present, the fact remains that the two most important conditions for 'traditional' social democracy - economic growth and stable social support for the institutions of social democracy – do not. In short, there has been an observed failure and moderation of 'traditional' social democracy, and the claim that this failure and moderation did not need to happen does not in itself explain why it did. Indeed, a number of questions immediately spring from the claim that 'traditional' social democracy is still viable, including: why did the support necessary for the implementation of 'traditional' social democracy break down in the first place, why have so many social democratic actors been prepared to accept that 'traditional' social democracy is no longer viable, and what would it take to convince both social democrats and the electorate to support a renewed (more 'traditional') social democratic project? Without addressing these questions here, I wish simply to state that the absence of an answer to these questions renders this explanation incomplete. Illustrating that 'globalisation' does not necessitate the

moderation of social democracy does not explain why this unnecessary decision has been taken by so many social democratic parties across western Europe.

Finally, in response to the argument that social democratic policies and social democratic institutional arrangements represent the most propitious form of reaction to changes in the international political economy (a claim supported, in the case of Garrett (1998), by empirical evidence illustrating how economic growth is highest in countries with the strongest social democratic movements), we must make two important caveats. Firstly, whilst social democratic policies may represent the most successful means to adapt to the new international political environment, the policies we are talking about here still represent an *adaptation* to that environment. Thus, what Garrett (1998) is talking about here is the means for social democratic parties and movements to achieve necessary wage restraints without simultaneously invoking unsustainable levels of social instability, due to its institutional incorporation of national labour movements within the national economic system. In other words, social democratic parties are able to temper and offset the costs of national adaptation, and therefore ensure that that adaptation occurs. Whilst not disputing that this does represent a viable role for social democratic parties within the contemporary international economy, it does not explain why social democratic parties themselves have found it necessary to effect a moderation of their policy ambitions and to ensure that this moderation is palatable to their constituents. In short, it makes a case for the continued role of social democracy in ensuring the national adaptation to the changing international economic environment, but it does not explain why that environment has changed and why the effect of it changing has been to require a

reduction in the scope of social democratic aims and ambitions. Secondly, empirical evidence illustrating the correlation between countries with strong social democratic movements and institutional arrangements (Garrett, 1998; Swank, 2002) does not represent definitive evidence that 'traditional' social democracy is still viable. Social democratic institutions and provisions may, in some cases, be strongest in those countries that have high growth precisely *because* high growth has been achieved, thereby affording certain social democratic provisions to exist. In which case, higher levels of economic growth may exist *despite* the co-existence of social democratic movements, institutions and achievements in those countries, not because of them. Further, even if social democratic achievements are most substantial in the countries with the highest levels of growth, this does not negate research showing that governments have consistently implemented (or sought to implement) a retrenchment of social democratic achievements (Huber and Stephens, 2001). Hence, even if social democratic achievements are relatively high in countries with high levels of growth, the fact remains that a consistent retrenchment of social democratic achievements has occurred irrespective of whether it has occurred to a lesser extent in countries with higher levels of growth.

In sum, whilst there is evidence to suggest that divergent responses to 'globalisation' have occurred, that 'globalisation' is less of a restriction upon 'traditional' social democracy than estimated by some, and that social democratic intervention is a more adequate response to changes to the international political economy than neo-liberal policies, this explanation, which essentially views the moderation of social democracy as the result of a miscalculation by either social

democrats or the electorate as a whole, fails to account for either the changes that have occurred to the international political-economic environment and/or for the moderation of social democratic policy that have occurred in response.

3.3. The decline of 'traditional' social democracy as a failure of the social democratic strategy itself

The final explanation for the demise of 'traditional' social democracy and its subsequent replacement with 'new' social democracy that I want to explore here comes from a more critical perspective. Social democracy has been criticised for accommodating many of the aspects of contemporary society that (rhetorically at least) social democrats have sought to overcome. Indeed, as shown above, what distinguished social democracy from an early point in its development was its accommodation of, first, parliamentary representative democracy, and, then, a market economy. Whilst this strategy sought to improve the appeal and influence of the social democratic movement (and therefore ensure the successful implementation of many of the redistributive, democratic and egalitarian aspects of the social democratic programme), it also attracted criticism for its perpetuation of many of the practices and institutions that produce or sustain much that social democracy has historically sought to challenge. Thus, the social democratic strategy of gradualism, moderation, compromise and working with (rather than against) the main institutions of power within contemporary society (in particular, the institutions of representative democracy and the market economy) has been criticised for its inability to tackle many sources of inequality and oppression, and

the crisis-tendencies to which they give rise, due to its implicit role in institutionalising, maintaining and bolstering unequal, hierarchical and divisive practices and relationships (to the detriment of alternative, more cooperative, egalitarian and participatory ones) (see, for instance, Miliband, 1973; Poulantzas, 1969; Offe, 1984; Coates, 2001; Petras, 2000; Nairn, 2000; London Edinburgh Weekend Return Group, 1980; Przeworski and Wallerstein, 1988; Fotopoulos, 1997). More specifically, 'traditional' social democracy has been criticised for its decision to operate within the institutions of representative democracy and to align itself with the fortunes of the market economy. For its engagement with representative (as opposed to more direct and participatory) democracy, social democratic parties have been charged with inculcating a dependence on, and deference to, centralised and delegated (coercive) authority, as opposed to more decentralised cooperation between autonomous individuals. Similarly, 'traditional' social democracy has been criticised for its decision to accommodate (rather than seek to abolish) the market economy, due to the latter's role in implicitly subordinating social democratic goals to the profit-requirement and the demands of economic competitiveness, which themselves undermine attempts to democratically manage a stable, socially-just socio-economic settlement. Thus, the institutional and social relations utilised by social democrats to implement their policy agenda have been criticised for their role in hindering the successful realisation of that agenda. Likewise, according to this view, the promotion of a social democratic agenda itself destabilises the very institutions within which social democrats promote their agenda. According to the more critical account of social democracy presented here, therefore, the incompatibility of the means

and the ends of the social democratic strategy have presented social democratic parties with the need to either moderate their political aims or to undermine the institutional means through which they promote these aims. Faced with this trade off, social democratic parties have invariably chosen to sustain the institutions within which they operate, at the expense of the aims around which the parties historically emerged, in particular due to the centrality of these institutions to the very existence of social democratic parties, to the established norms of behaviour that have built up around these institutions, and to the absence of established alternative modes of behaviour, decision-making and economic production – absences which ‘traditional’ social democracy has helped to foster. This account will be further outlined below.

A. The critique of representative democracy

Since its break with revolutionary Marxism, social democracy has been criticised for its accommodation with and acceptance of the methods of parliamentary representative democracy. Indeed, in one of the earliest attacks on ‘reformist’ social democracy, Marx chastised the United Worker’s Party of Germany (a forerunner to the German SPD) for its pursuit of a “free state”, claiming that, ‘it is by no means the aim of the workers, who have got rid of the narrow mentality of humble subjects, to set the state free’ (Marx, 1875: 25). A point which Engels went on to clarify when he argued that,

the state is only a transitional institution which is used in the struggle, in the revolution, to hold down one's adversaries by force, it is pure nonsense to talk of a free people's state: so long as the proletariat still *uses* the state, it does not use it in the interests of freedom but in order to hold down its adversaries, and as soon as it becomes possible to speak of freedom the state as such ceases to exist (Engels, 1875: 35).

Thus, the earliest exponents of socialism were clear (at least in some of their writings) that the representative state could not provide the kind of freedom and emancipation that they sought (although there is a long-running and hotly contested debate on whether or not Marx and Engels advocated the utilisation of the state (for an overview of this debate, see Hay, 1999b)). The state itself, according to this argument, represents an incursion into the freedom of its subjects, and is, therefore, something to be overcome. This charge, that the state is essentially oppressive, is one that has been levelled at social democracy throughout its existence and reflects a central contradiction at the heart of social democratic ideology. Social democratic parties have sought to promulgate a political programme that seeks to disperse authority, wealth and power throughout society, through a programme of economic redistribution and the democratisation of social institutions and practices. Indeed, one of the features of *social* democracy is that it seeks to go beyond the formal equality of representative democracy and the market economy and to recognise, and seek to negate, the real inequality that arises from an unequal distribution of wealth and power within a democratic market economy (on the idea of progressive stages of democracy, see Marshall, 1950). For this reason, social democratic parties have sought a

redistribution of wealth through such initiatives as progressive fiscal redistribution, a universal welfare state and social security. These initiatives have sought both to redistribute wealth, but also to free the recipients of these policies from economic insecurity and the dependence for their livelihood upon market transactions (on the goal of social democratic parties to decommodify labour power, see Esping-Andersen, 1990: 21-3; 1985). Further, social democratic parties have sought a redistribution of decision-making power within society by seeking to democratise social institutions and practices, be it through a decentralisation of government authority, the democratisation of work relations (for instance, through pro-trade union legislation, works councils, co-determination), and/or the inclusion of groups from civil society in the government decision making process (Panitch and Leys, 2001). However, in seeking to democratise and disperse power through the institutions of representative democracy, social democratic parties have been criticised for consolidating authority and power in the centralised institutions within which they operate, and for engendering a dependence within society upon centralised institutions of authority (thereby undermining the development of more autonomous patterns of behaviour through which individuals respond to and overcome social problems through their own actions). This is a line of thought that has been most consistently developed by classical anarchists (see Marshall, 1993 for a comprehensive survey) and is contained in the works of many of the more prominent poststructuralists (in particular, Foucault, 1994; Deleuze and Guattari, 1988) and poststructuralist anarchists (May, 1994; Call, 2002; Newman, 2001). According to these theorists, the practice of operating within institutions

of representative democracy creates a tendency for individuals to delegate their authority to a centralised body of power, thereby creating a dependence upon centralised power and subordinating individual activity to a range compatible with the operation of these central constellations of power. 'Traditional' social democracy therefore faces the criticism that, whilst on one hand it seeks to implement policies that will disperse and equalise power within society, by seeking to do so through institutions of representative democracy, it also acts to maintain and consolidate the centralisation of power which it apparently seeks to overcome. In order to understand why this should be the case I will elaborate upon three (interconnected) arguments challenging the notion that social democracy can be implemented through representative democratic institutions.

To begin, representative democracy has been criticised for its role in eliciting and fostering a delegation of personal autonomy to an external source of authority. This is the classic anarchist criticism of organised authority, whereby the delegation of one's personal sovereignty to an external body or social organisation inherently limits the autonomy and individuality of that individual. Thus, Max Stirner argues,

What is called a State is a tissue and plexus of dependence and adherence; it is a *belonging together*, a holding together, in which those that are placed together fit themselves to each other, or, in short, mutually depend on each other: it is the *order* of this *dependence*. ... A State exists even without my co-operation: I am born in it, brought up in it, under obligations to it, and must "do it homage." It takes me up into its "favor," and I live by its "grace." Thus the independent establishment of the State

founds my lack of independence; its condition as a "natural growth," its organism, demands that my nature do not grow freely, but be cut to fit it (Stirner, 1907: 293-4).

Accordingly, based on its utilisation of the representative democratic nation state, social democracy has been accused of inculcating this phenomenon of dependence upon external authority, which itself limits the independence, autonomy and decision-making capacity of the individual. Thus, in challenging the achievements of 'traditional' social democrats from a similar perspective, Marcuse argues that, 'with all its rationality, the Welfare State is a state of unfreedom because its total administration is systematic restriction of ... the intelligence (conscious and unconscious) capable of comprehending and realizing the possibilities of self-determination' (Marcuse, 1964: 52). The process of electing a system of government, therefore, however rational that system is, inherently represents the delegation of individual autonomy to an external source of authority and thereby limits the scope for self-determination by fostering a dependence upon that external authority to the detriment of the individual's capacity for self-determination. Thus, 'in order for liberation to occur, individuals and groups must retain their power; they cannot cede it without risking the loss of the goal for which all political struggles occur: empowerment' (May, 1994: 48).

Further, the process of representative democracy has been criticised for its reproduction of uncooperative (or minimally cooperative) social relations due to its reliance upon the organs of the state to ensure social cohesion, with decision-making over the form and direction of this cohesion being restricted (for

the majority of the population) to the infrequent indication of individual preferences in the form of periodic elections. Thus, whilst social democracy has traditionally constituted an attempt to represent the collective interests of, first, the working class, and then the working class plus the nation, the political-institutional means through which they have sought to do so actually act to undermine the collectivism and solidarity necessary in order for policies that embody the *collective* interest to be promulgated. Hence,

support for electioneering is somewhat at odds with their [social democrats'] claims of being in favour of collective, mass action. There is nothing more isolated, atomised and individualistic than voting. It is the act of one person in a closet by themselves. It is the total opposite of collective struggle. The individual is alone before, during and after the act of voting. ... Neither is it based on nor does it create collective action or organisation. It simply empowers an individual (the elected representative) to act on behalf of a collection of other individuals (the voters). Such delegation will hinder collective organisation and action as the voters expect their representative to act and fight for them - if they did not, they would not vote for them in the first place! (Anarcho, downloaded 2004).

According to this view, therefore, the social democratic utilisation of representative democracy in order to implement redistributive, egalitarian and democratic public policy, and its implicit reliance on a popular electoral mandate for its political legitimacy, actually acts to undermine the solidarity and interconnection between individuals within society that is necessary for such

solidaristic policies to succeed. The logical result of such a contradiction is that policies that require voters to perceive and act in terms of a collective interest, with mutual solidarity between the actors that constitute that collectivity, will inevitably fail, and once they do so social democratic parties will be forced to repeal those policies in order to meet the electoral demands of the ‘atomised’ electorate to whom they depend upon for their popular legitimacy and political agency. Whilst many liberal democratic theorists accept that, given a ‘thin’ view of liberal democracy (whereby political rights and participation are restricted to individual rights), these criticisms have validity, they go on to argue that a more ‘thick’ view of liberal democracy (‘granting political provision of resources effectively to exercise rights, admitting group rights, sanctioning a flexible and wider view of the public realm’) is both viable and compatible with the implementation of social democratic goals (Cunningham, 2002: 47; see also Dahl, 1989 for an exposition of this view). However, as seen in the quote above, critics of social democracy argue that it is precisely the engagement with the institutions of liberal democracy that engenders the restriction of political activity and collective solidarity to that expressed in the ballot box; a mode of collective participation that is unable to sustain more participatory, redistributive, regulative and egalitarian policymaking. Indeed, for many critics of social democracy, the liberal democratic view that the legitimate mode of political involvement for most citizens is one of passively expressing political preferences in the form of periodic voting is actually one of the most important obstacles to collective, solidaristic, egalitarian decision-making; and therefore one which, through their engagement with representative democratic institutions, social democratic parties have made a

big contribution to sustaining. Indeed, for many theorists, it is precisely the separation of private, individual interests from a generalised collective interest, and the way that this is embodied in the practice of expressing one's private preference in the form of a vote within the democratic state, that needs to be overcome in order to redemocratisise society and redistribute power and wealth across society. According to this view, therefore, the social democratic recourse to representative democratic institutions cannot be expected to achieve this aim. As Holloway and Picciotto argue in explicitly Marxist terms,

The autonomisation of the state necessary for the accumulation of capital involves not only the necessity of separate political institutions, but also the necessity of maintaining the separation of politics and economics, of the public and private sphere, in the consciousness and struggles of the workers. The survival of the political institutions and hence of capital depends on the ability of the capitalist class to maintain this separation, to channel the conflicts arising from the real nature of capitalist society into the fetishised forms of bourgeois political process. Thus, the very separation of economics and politics, the very autonomisation of the state institutions is part of the struggle of the ruling class to maintain its domination (Holloway and Picciotto, 1980: 133-4).

Further still, due to its promotion of policies through an institution of *representative* democracy over (necessarily) fragmented, non-cooperative and depoliticised subjects, social democracy stands accused not only of consolidating a political system that centralises power in the political constellation within which

it operates, but also in acting coercively in its utilisation of that power. The implication of this criticism is that through its promotion and reproduction of centralised power, social democracy acts to further undermine the development of autonomous, self-determining individuals, in contrast to its stated aims. Again this is a line of critique associated with classical anarchism, according to which, 'the concentration of power is an invitation to abuse' (May, 1994: 13). Thus, for Kropotkin, the state,

not only includes the existence of a power situated above society, but also of a *territorial concentration* as well as the *concentration of many functions of the life of societies in the hands of a few*. ... A whole mechanism of legislation and of policing has to be developed in order to subject some classes to the domination of the others (Kropotkin, 1897: 10, quoted in Marshall, 1993: 323).

These early anarchist criticisms of the state and of concentrated political power have been developed by many critics of social democratic parties in charging that the decision by social democratic parties to engage with the institutions of the centralised nation state in order to promote their political programme has encouraged and fostered the deference, dependence and individualism noted above by limiting the scope for autonomous activity and social cooperation and experimentation. For critics of the social democratic engagement with the institutions of representative democracy, therefore, even those social democratic goals that are successfully realised indirectly act to the detriment of the long-term implementation of their goals.

B. The critique of the market economy

We turn now to the accommodation by social democratic parties of the market economy, a decision that most markedly characterised social democracy during its 'traditional' stage. In choosing to accommodate the market economy within its programme of redistribution and democratic economic management, 'traditional' social democracy has been criticised for fostering and engendering the conditions of its own demise. To understand why this should be the case we can look into some of the criticisms levelled at capitalism, and at how 'traditional' social democracy sought to temper them. As noted above, 'traditional' social democracy represented an attempt to moderate some of the vagaries of capitalism, in particular through the protection of the weakest sectors of society, through the democratic incorporation of civil society (in particular, the trade unions) in the decision-making apparatus of both the state and the firm, through Keynesian macroeconomic management of the domestic economy, and through international economic regulation within the Bretton Woods institutions. This represented an attempt to create a stable political and social compromise within the nation state, and to create a framework of regulation and stability within which trade between these national markets could occur. However, both this domestic political and social compromise, and the international framework of regulation within which these national compromises were embedded, had as their core principles the production of stable economic growth achieved predominantly by privately-operating profit-seeking firms. Further, the creation of a political and

socio-economic model based on the principles of growth, private production, profit-making and international trade has been criticised for its unsustainable nature; an unsustainability which, according to these critics, made itself present in the mid-1970s with the demise of the post-war consensus (see, for instance, Jessop, 2002; Went, 2002; De Angelis, 2000). According to these critics, this unsustainability is itself due to the inherent instability of a system that is dependent on both expansion and competition. Indeed, the market economy requires economic growth in order that opportunities to secure profits, which drive investment and production decisions within private firms, are available to property owners. Thus, without expansion, profit-seeking firms will decide not to invest, resulting in recession and economic downturn, and thereby, in a spiral-like manner, prompting further recession, low levels of growth, and undermining the stability of the socio-economic settlement itself. Likewise, the market economy is intrinsically competitive and therefore constitutes a deepening antagonism between, and dislocation and disturbance of, the individual actors that comprise it. This is because in order for the market economy to function it is necessary for its economic actors to operate as efficiently and competitively as possible in order to meet the market price of the particular commodity they are producing and in order for firms to maximise the size of the profits they can secure through market competition. However, this requirement for efficiency itself brings with it the need for a constant updating of methods of production (including increasingly competitive working practices and a constant updating of the equipment used to produce commodities) in order to survive within the process of market competition. This is a process which Schumpeter (1943)

labelled 'creative destruction' as innovative methods of production inevitably render out-dated infrastructure (including labour) redundant. The effects of this dual requirement for both expansion and increased competitiveness, according to the critics of the market economy, is to create an ongoing escalation of mutual antagonism within society as the actors within the market economy continually push for the expansion of a competitive system of production. Critics of the 'traditional' social democratic strategy of accommodation of the market economy charge that the increasingly antagonistic nature of a functioning market economy is incompatible with the long-term survival of the more egalitarian and democratic elements of the 'traditional' social democratic programme, due in particular to the cooperative and solidaristic attitudes and behaviour that are required for their successful implementation (for a recent argument along these lines, see Coates, 2001).

Nevertheless, whilst the market economy requires constant expansion and innovation in order for firms to be able to compete and produce profits, it also requires a degree of social cohesion in order that the individual discipline and socialisation necessary for productive social interaction to take place is produced. Further, a degree of social stability is also required in order that firms and employees can make reasonably well-informed investment decisions concerning any period beyond the immediate term. Thus, the antagonisms engendered by a market economy must also be tempered in order for it to operate (on this point, see in particular, Offe, 1984; Poulantzas, 1980, makes a number of similar points in his argument that one of the central roles of the nation state is to unify otherwise disunited people in the guise of nationalism). This contradictory

requirement for both stability and innovation therefore creates a tension central to the operation of the market economy. Indeed, according to a group of global political economists (known as the 'regulation school') who specifically study attempts to reconcile this tension, it is only possible to achieve a *temporary* stabilisation of the expansionary and competitive relationships that constitute market competition (see, in particular, Aglietta, 1979; Boyer, 1990; Dunford, 2000). Thus, according to the regulation school, successful market economies have always required the construction of

regimes of accumulation which involved the establishment of a significant degree of compatibility between accumulation and social progress due to the implementation of evolving institutional architectures and *systems of mediation* (also called *modes of regulation*) that managed temporarily to regulate the conflicts, tensions, imbalances and contradictions capital accumulation unleashes and to translate accumulation into social and economic progress (Dunford, 2000: 149).

However, the difficulties in regulating such a dynamic system of production as capitalism have not gone unrecognised by regulation theorists. In particular, growth within the market economy ultimately rests on the ability to constantly identify new opportunities for economic growth and profit-making. Thus, once existing opportunities for growth have been exhausted, the abolition of the regulations themselves begins to represent a new opportunity for innovation and expanded economic production. At this point, 'constraints formed to channel growth can become fetters, opening up the question of new forms of overall

reproduction' (Dunford, 2000: 149). However, whilst regulation theorists have been keen to identify new opportunities for, and methods of, regulation of the market economy, more critical scholars claim that the instability of the market economy is such that *any* mode of regulation will eventually result in failure due to the restrictions it intrinsically places upon innovation and profit-seeking essential to the successful operation of the market economy. Thus, Jessop (2002) claims that 'there are indeed basic structural contradictions and strategic dilemmas in the capital relation that ensures that the relationship between market, civil society and state is always problematic' (p. 276) (see Went, 2002 for a similar argument). It is this inability to reconcile social stability and continually innovative growth (both of which are essential to the successful operation of a market economy) that, according to its critics, renders the 'traditional' social democratic strategy of seeking to accommodate the market economy with its programme of redistribution, regulation and democratic participation, unfeasible in anything other than the short-to-medium term

C. The implications of these criticisms for understanding the demise of 'traditional' social democracy

The 'traditional' social democratic strategy of promoting redistributive, democratic and stabilising policies through the institutions of representative democracy, whilst accommodating the market economy, therefore faces a two-pronged critique. On the one hand, for its reliance upon institutions of representative democracy, 'traditional' social democracy stands accused of

fostering a dependence on external, centralised authority which acts to undermine the capacity for collective, solidaristic activity and decision-making. Likewise, for its accommodation of the market economy, social democracy has been charged with attaching itself to an economic system that requires the ongoing (and unsustainable) expansion of antagonistic relations in order for its successful operation. What are the implications of these criticisms for our attempt to understand the demise of 'traditional' social democracy? According to this critical account of the social democratic strategy, the demise of 'traditional' social democracy and its metamorphosis into 'new' social democracy is the result of its own internal failings, as outlined above. In particular, the demise of 'traditional' social democracy has been explained as the combined result of relying upon an economic system that needs constant expansion and (antagonistic) growth, which eventually required the abandonment of many of the forms of regulation to which social democratic parties came to be attached in order for the economic system to continue to function. This is combined with the inability to engage in cooperative alternatives to the market economy due to the absence of established patterns of such behaviour and to the reliance that social democratic parties had fostered amongst their constituents upon centralised, delegated authority to the detriment of autonomous cooperative relations. Thus, having attached itself to an economic system that was unable to sustain collective, non-antagonistic public policies beyond the medium term, social democratic parties were forced to adopt an alternative to their 'traditional' social democratic programme. Further, having inculcated a dependence amongst its constituents upon the kind of centralised, delegated authority that exists within institutions of representative

democracy, social democrats were unable to maintain the kind of collective, cooperative relations that would have been required in order for them to successfully promote a more market-correcting, solidaristic and democratic alternative to their 'traditional' agenda. Thus, having ruled out the construction of cooperative-democratic alternatives, 'traditional' social democratic parties were left with the only option of adopting and promoting a *more competitive*, growth-oriented regime of accumulation in order to continue to operate within the institutions of representative democracy and successfully manage the market economy. Accordingly, this explains the transition from 'traditional' to 'new' social democracy and the jettisoning of many of the elements of market-correcting, redistributive policy that this represented.

The implication of these criticisms, if they are to be accepted, is that it is the social democratic strategy itself which explains the demise of 'traditional' social democracy. In other words, the unachievable pursuit of collective-redistributive policies through institutions of representative democracy attached to a necessarily expanding competitive-antagonistic socio-economic system eventually encountered the limits resulting from this unachievability. This therefore resulted in the tendential moderation and downscaling of social democratic goals in order to make them more suitable to the institutional and socio-economic context within which they were located. The implication of this explanation is that, rather than representing a problem with scale at the national level or with policy coordination at the supranational level, the moderation of 'traditional' social democracy is instead understood as the result of the limits to the social democratic strategy itself. If this is the case, then we can hardly expect

'new' social democracy to supplement its minimalist market-conforming agenda at the national level through the re-regulation of socio-economic processes, redistribution of power, wealth and influence, and re-democratisation of society, through coordinated action at the EU-level. Rather, through its further reliance upon institutions of representative democracy and its continued attachment to the market economy, what we are more likely to witness is a *further* erosion of market-correcting policies at some point in the future.

Having rejected alternative explanations for the demise of 'traditional' social democracy on the grounds that they fail to account for either the unsustainability of 'traditional' social democracy or the decision by 'traditional' social democratic parties to jettison much of its programme, this thesis will adopt the critical explanation outlined above as a working hypothesis to be confirmed or repudiated through its application to the empirical cases to be investigated in the following chapters. In particular, if it is able to stand up to empirical application, this explanation can account for both the medium-term success of 'traditional' social democracy (due to the need to regulate social relations in order for the essentially antagonistic market economy to operate), and the decision by social democratic parties to reject many of the market-correcting and extra-market elements of their programme following their increasingly problematic implementation. Finally, this explanation is also able to explain why social democratic parties have turned to Europe to promote a more substantial social democratic agenda despite the inability to realise such an agenda at that level. In particular, social democratic parties have been faced with the growing need to disguise the tendency towards moderation arising from their reliance upon

institutions of representative democracy and the operation of the market economy, a need that (as argued in the previous chapter) has been partly met by the 'new' social democratic turn to Europe and the prospect this offers for sustaining social democratic ideals despite their unrealisability in the short-to-medium term; an unrealisability which can itself be explained (in a process which I have elsewhere labelled 'obfuscation through integration', (Bailey, forthcoming)) in terms of the institutional problems facing the European Union and European integration, rather than limits internal to social democracy itself. The validity of this argument will be assessed through a closer examination of the 'new' social democratic turn to Europe in the forthcoming chapters.

3.4. Conclusion and plan for the remainder of the thesis

In sum, from the discussion in this and the previous chapter, we are left with a number of possible explanations for the social democratic turn to Europe. Three existing explanations for the social democratic turn to Europe have been identified. Firstly, the social democratic turn to Europe has been presented as an attempt to re-regulate globalisation following the demise in the capacity of the nation state to intervene in the new international political economy. This explanation has been questioned on the grounds that there are few opportunities and very little evidence of actual social democratic re-regulation at the EU-level, and that evidence in fact points to the erosive effect of European integration upon existing social democratic achievements. Secondly, the social democratic turn to Europe has been explained in terms of the need for social democratic parties to adapt

pragmatically to the political context within which they find themselves. Thus, as European integration gathers pace, so social democratic parties must accept its existence and adapt to its institutional structures accordingly, in order that they may remain viable political parties. This explanation has been questioned on the grounds that it fails to explain the political implications of the social democratic turn to Europe and therefore fails to answer the questions at the core of this study. In particular, it fails to explain why the social democratic turn to Europe roughly coincided with the transformation from 'traditional' to 'new' social democracy, what effect, if any, the social democratic turn to Europe has had on the political-economic programme espoused by social democratic parties, and why (given the absence of opportunities to do so) social democratic parties have consistently advocated the EU-level as a means to reassert a more traditional social democratic agenda. Thirdly, the social democratic turn to Europe has been presented as the result of the transformation from 'traditional' to 'new' social democracy, whereby 'new' social democracy no longer prioritises the national level as the political locus through which economic and social intervention should occur. Moreover, according to this final explanation, advocates of 'new' social democracy can institutionalise the 'new' social democratic transformation through the constraints upon political intervention caused by the process of European integration. This explanation has been questioned on the grounds that the social democratic turn to Europe has been presented by many social democratic parties, and by many proponents of 'traditional' social democracy, as a means to resurrect the prospect of social democratic intervention. Thus, rather than the social democratic turn to Europe reflecting the overall moderation of social democracy

and its transformation from 'traditional' to 'new' social democracy, the social democratic turn to Europe has actually been portrayed and understood by many within the social democratic movement as a renewed attempt to implement social democratic goals.

Having illustrated the weakness of these explanations in the opening chapter, chapter two and the present chapter have proposed an alternative one. In short, this explanation claims that the 'new' social democratic turn to Europe is an attempt to retain the meaningfulness and viability of social democratic intervention, and thereby maintain a viable and relatively coherent electoral constituency, despite the actually unfeasible nature of 'traditional' social democracy. Thus, the promise of reasserting traditional social democratic aims at the EU-level has been employed in order to secure a degree of ideological continuity and political coherence despite the necessary abandonment of 'traditional' social democracy at the national level. Further, due to the problems experienced at the EU-level in implementing regulative social and economic policies, the prospect for successful social democratic policymaking in the short-to-medium term is seriously limited, thereby ensuring that the necessary moderation of 'traditional' social democracy is not jeopardised, whilst the limits to social democracy can be understood in terms of the limits to European integration rather than as limits to the social democratic strategy itself. This explanation itself prompts the question of why 'traditional' social democracy itself needed moderating in the first place.

The existing accounts for the demise of 'traditional' social democracy are divided into three broad groups. Firstly, the demise of 'traditional' social

democracy and its replacement by 'new' social democracy has been explained in terms of its political and moral improvement over 'traditional' social democracy and its increased suitability for the contemporary political, social and economic international environment. This explanation was challenged on the grounds that, firstly, it failed to explain why the statism of 'traditional' social democracy should be viewed as morally flawed now whilst it was not in the past, and secondly, in pointing to the inhospitability of the political and socio-economic environment facing social democratic parties, the explanation merely redescribed the problem instead of presenting an explanation. Secondly, the demise of 'traditional' social democracy has been portrayed as a miscalculation by the adherents and representatives of social democracy. This explanation was challenged on the grounds that it failed to explain the decline in the fortunes of parties pursuing 'traditional' social democratic policies since the mid-1970s and/or the decision taken across western Europe for social democratic parties to moderate their political programme. Finally, the demise of 'traditional' social democracy has been presented as a result of contradictions internal to social democracy, in particular its attempt to implement egalitarian, redistributive and democratic policies whilst maintaining and consolidating institutions and social relations that were counterproductive to, and/or threatened by, the realisation of such outcomes.

The remainder of this thesis aims to confirm the conclusions of the preceding discussion; namely, that the 'new' social democratic turn to Europe is primarily a legitimating activity that seeks to maintain a social democratic identity despite the abandonment of much of the 'traditional' social democratic political programme, an abandonment itself arising from the unsustainability of the social

democratic strategy given its reliance upon the institutions of representative democracy and its attachment to the market economy. In order to achieve this aim, the remainder of this thesis will comprise of a series of case studies focusing on the fortunes of social democratic parties within the UK, Sweden, France, Spain, Italy, and at the EU-level. In the case of the national studies, the moderation and abandonment of 'traditional' social democracy, and the concomitant turn towards European integration in search of social democratic legitimation will be witnessed in order to illustrate the validity of the explanation for the 'new' social democratic turn to Europe presented here. At the EU-level, it will be shown how the limits to European integration have seriously hindered the development of regulation, redistribution or democratisation policies at the European level, and how, nevertheless, social democratic actors operating at the EU-level utilise that level as a means to substantiate the social democratic-ness of the 'new' social democratic agenda. Thus, we will see how social democratic parties operating within the multi-level European polity are able to legitimate 'new' social democracy at the EU-level without threatening to jeopardise the moderation of its policy programme in the short-to-medium term.

A quick note must be made about the choice of country studies. Of the country studies, most attention is given to the UK. This is because the UK exhibits the clearest example of the process that we are seeking to explain, namely the transition from anti- to pro- European integration amongst social democratic parties. Thus, by examining this extreme case we can hope to witness most clearly the mechanisms we are interested in. Of the other country studies, the choice reflects a wish to study as wide a sample as possible of the various types of

countries and social democratic parties operating within the EU in order that we can assess whether the postulated mechanisms are existent in as varied a range of contexts facing social democratic parties as possible. Indeed, if the processes do appear to be prevalent within a diverse range of contexts, we can be increasingly sure that the mechanisms described are in operation. Thus, the UK, Sweden, France, Spain, and Italy collectively represent medium (Sweden and Spain) and large (UK, France and Italy) countries; countries from Northern (Sweden and UK) and Southern (Spain, France, Italy) Europe; countries that joined the EU in each of the pre-2004 stages of enlargement (including the initial Treaty of Rome); a country with a historical association with social democracy (Sweden) and one with a historical association with liberal economics (UK); and countries with a strong tradition of trade unionism (Sweden, UK) and countries with a weak system of trade unionism (France). Through the adoption of a range of country studies that represents a broad range of the attributes and contexts facing social democratic parties it is hoped that the study will provide an accurate assessment of the mechanisms explaining the 'new' social democratic turn to Europe.

Chapter 4 – Legitimizing ‘New’ Social Democracy at the European level: the case of the British Labour Party

The previous two chapters have argued that the social democratic turn to Europe should be understood primarily as an attempt to secure the legitimation of the transformation from ‘traditional’ to ‘new’ social democracy. In particular, through the promotion of a more traditional agenda at the supranational level, social democratic parties are able to moderate their national agenda without surrendering their traditional aims, thereby maintaining a degree of ideological continuity and, therefore, reproducing a coherent social democratic constituency. Further, it was argued that this promotion of a social democratic agenda at the supranational level will encounter the obstacles to European integration that prevent the implementation of substantive interventionist public policy at the European level. It was argued that the promotion of a social democratic agenda within an institutional forum which possessed the geographic scope to overcome some of the problems implied by ‘globalisation’, but which had serious institutional obstacles to the realisation of that agenda, enabled social democratic parties to explain the moderation of social democracy in terms of the dual obstacles of ‘globalisation’ at the national level and the institutional limits to European integration at the supranational level. Finally, it was argued that this moderation and its supranational legitimation was necessary due to the internal failings of social democracy itself, which created an ongoing pressure upon the social democratic movement to undergo revision and moderation, a process which,

in order to maintain a viable social democratic constituency, needed to be disguised. This process of ‘obfuscation through integration’, it was argued, explained the ‘new’ social democratic turn to Europe (see Bailey, forthcoming).

The aim of this and subsequent chapters is to validate these claims through an historical/empirical account of the development of social democracy in five countries - the UK, Sweden, France, Spain and Italy – and at the European level. In each case it will be illustrated how the necessary moderation of social democracy, arising from the inability to sustain an expansion of redistributive and collective-egalitarian policies within institutions of representative democracy attached to a market economy, resulted in the need for social democratic parties to moderate their agenda from ‘traditional’ to ‘new’ social democracy. Further, it will be shown how this moderation was itself legitimated through the pursuit of a more traditional social democratic agenda at the European level, despite the negative impact of European integration on the scope for market-correcting policymaking across the multi-level European polity. This will be illustrated below in the case of the British Labour Party. Subsequent chapters will illustrate the same claims in the case of social democracy in Sweden, France, Spain, Italy and at the EU-level.

4.1. The historical context: containable divisions over Europe during the Labour Party’s ‘traditional’ social democratic phase, from 1945 to the mid-1970s

As with many social democratic parties across western Europe, the British Labour

Party adopted, and was relatively successful in its implementation of, a 'traditional' social democratic agenda during the thirty-year period following the Second World War. Thus, despite the *Trente glorieuses* being a "not so golden age" in the UK (Rhodes, 2000: 19), the period (and, in particular, the 6 year period in office immediately following the end of the War) was arguably the most successful one for the Labour Party in terms of the scale of the policies achieved. Indeed, following the devastation of the Second World War, and riding on the back of the national solidarity and centralised industrial organisation that arose during the War, the Labour Party was able to gain an electoral mandate for, and implement, a 'traditional' social democratic agenda which included nationalisation, state planning, Keynesian demand management, the gradual extension of the welfare state and a recognised role in policymaking for trade unions (see Shaw, 1996; Fielding, 2003; Pelling, 1984; Pelling and Reid, 1996; Panitch and Leys, 2001; Tomlinson, 1997; Coates, 1975; Morgan, 1984). These policies were each implemented (with varying degrees of success) during the 1945-51 and 1964-70 Labour Governments and included the introduction of the National Health Service, a large-scale increase in the size and quality of council housing, the National Insurance Act of 1946 and the National Assistance Act of 1948, an extensive programme of nationalisation, three new economic planning institutions, a National Plan (which was never successfully implemented), an expansion in higher education and an increase in social security benefits (Shaw, 1996).

The benefits of European integration to the Labour Party were not clear during this period, resulting in either hostility towards, or division over, the process within the Party. Indeed, at the risk of caricaturing, views roughly

divided along left-right lines over European integration within the Party, with the right often seeing the European Community as a means to improve the economic opportunities available to the British economy, and the left fearing that European integration would undermine the opportunities for implementing a social democratic agenda at the national level. Thus, during its 'traditional' social democratic phase, a clear position on European integration failed to crystallise within the Labour Party. For instance, in its 1945 General Election manifesto the Labour Party made no mention of European integration, preferring to see the UK as a 'world power'. Moreover, the Labour Government announced in 1950 that it would not be supporting the Schuman Plan on the grounds that it threatened democracy, socialism, the Commonwealth and the unity of the Western bloc. Plans for a European Defence Community (EDC) and European Political Community (EPC) were also opposed on similar grounds as the Labour Party in the immediate post-war period favoured the institutions of the nation state as the means to implement its particular brand of 'traditional' social democracy. Nevertheless, the Labour Party did support the Conservative government's attempts to create a free trade area within Europe, which eventually resulted in the European Free Trade Area (EFTA), due to the economic benefits to be gained through international trade (Featherstone, 1988: 45-52).

Opposition to supranational integration remained strong within the Labour Party throughout the 1960s. The leader of the Labour Party, Hugh Gaitskell, announced at the Party Conference in 1962 that the Party would oppose the Conservative Government's application for UK accession to the EC, as membership would mean 'the end of a thousand years of history' (Labour Party

Conference Report, 1962). In a more subtle statement issued the same year by the Labour Party's National Executive Committee (NEC) the Party announced its support for UK accession to the EC providing there were safeguards for the Commonwealth, no incursion on national foreign policy, a retention of the commitments already made to the EFTA states, a continued right to plan the national economy and safeguards for British agriculture (Featherstone, 1988: 52-55). The benefits of expanding trade within Europe (which the Labour Party had accepted in principle from 1956 onwards) had become increasingly attractive. The official position adopted by the Labour Party therefore expressed caution with regards to the erosion of national sovereignty through the process of European integration, whilst simultaneously recognising the importance of the economic benefits it offered.

The 1964 and 1966 elections saw a continuation within the Labour Party of this ambivalent position vis-à-vis European integration. The Labour manifestos for both elections contained ambiguous statements on EC membership. In 1964 the Labour Party criticised the Conservative Government for focusing its efforts on its EEC application to the detriment of Commonwealth links. Instead, the Labour Party argued that, 'though we shall seek to achieve closer links with our European neighbours, the Labour Party is convinced that the first responsibility of a British government is still to the Commonwealth' (Labour Party, 1964). However, by the time of the 1966 General Election, the Labour Party had experienced two tumultuous years in government. It had sought above all to avoid a devaluation of the pound, despite increasing pressures for devaluation arising from the growing balance of payments deficit. In order to

avoid devaluation, therefore, attempts to stimulate growth were combined with attempts to stimulate exports. It is in this light that we can understand the Wilson government's desire to gain access to the European market in 1966, when he stated in the Labour's General Election manifesto that,

The Labour Government has taken the lead in promoting an approach by EFTA to the countries of the European Economic Community so that Western Europe shall not be sharply divided into two conflicting groups. Labour believes that Britain, in consultation with her EFTA partners, should be ready to enter the European Economic Community, provided essential British and Commonwealth interests are safeguarded (Labour Party, 1966).

Shortly after Labour's victory in the 1966 General Election Prime Minister Harold Wilson announced that he would begin discussions with the EEC on entry under the terms outlined in the manifesto. However, on 5 May 1967, 74 Labour MPs, mostly from the left of the party, signed an article in Tribune opposing entry. Meanwhile, the mostly rightwing Labour Committee for Europe, a campaign group created to bring about a pro-European Labour Party, claimed 104 MPs in its membership. This growing divergence of opinion within the Labour Party was further reflected in the vote on the UK's application for entry to the EEC in the House of Commons on 10 May 1967, when 36 Labour MPs voted against applying and 51 abstained. These divisions were again displayed in the Party Conference of the same year, when an NEC Statement echoing the conditions of the 1962 declaration and 1966 manifesto and arguing that Britain would benefit

from membership of the EC was adopted by over two-thirds of the Conference, whilst a resolution welcoming the application to join the EC was opposed by greater than one-third of the Conference, thus denying its inclusion in the Party programme (Featherstone, 1988: 56-8). These divisions represented different priorities and visions amongst members of the Labour Party. Those on the left of the party viewed political activity as a means to implement the goals of 'traditional' social democracy, including the promotion of egalitarian social reforms such as nationalisation, redistribution, economic planning and intervention, to be achieved through the institutions of the nation state. On the other hand, those on the right of the party were more sceptical about the constraints exerting themselves upon the scope for social democratic activity, including the demands of voters and the need to maintain economic prosperity. From these contending perspectives, the left viewed membership of the EEC as an additional obstacle to the realisation of their aims due to the limits it placed on national decision-making, whilst the right viewed membership as a means to expand the markets and technological knowledge available to British firms and thereby secure economic prosperity and electoral popularity. Whilst the right were in a dominant position within the Parliamentary Labour Party (PLP), underlying opposition from the left was reflected in the 2.7 million Conference votes registered against the resolution welcoming the British application to join the EC (as opposed to 3.36 million votes in support).

Despite the second French veto to British EC membership in November 1967, the Labour Party entered the 1970 General Election committed to the UK's accession to the EC. However, following defeat in that election the Labour Party

was forced to review its electoral strategy. This gave the left of the party an opportunity to tackle many of the tenets of the right's governing strategy, including its position on European integration. Harold Wilson viewed party unity as necessary for electoral success, whilst the right viewed EC membership as necessary for the realisation of social democratic goals such as world peace and economic growth. On the other hand, the left viewed EC membership as antithetical to a democratic and egalitarian political programme. In order to reconcile these contending positions, Wilson adopted a position of opposition to the *terms of entry* negotiated by the Conservative Government. From this position he could support the principle of British accession, whilst simultaneously opposing the Conservative Party on their accession negotiations, thereby hoping to unify the two wings of the Party. This policy was unveiled at a special Labour Party Conference on Europe in July 1971 (Featherstone, 1988: 58-9). However, divisions over Europe remained. On 11 May 1971 the Labour Committee for Europe (LCE) published a declaration in the Guardian by 100 MPs supporting EC accession whilst the October 1971 Labour Party Conference voted to oppose the terms of EC accession negotiated by the Conservative Government. Despite this Conference resolution, 69 Labour MPs voted in the House of Commons for British accession to the EC and 20 abstained¹⁵. In March 1972 the NEC called on the Shadow Cabinet to demand a referendum prior to British accession, a demand the Shadow Cabinet accepted (leading to the resignation of Roy Jenkins). Further, the 1972 Conference adopted an NEC statement by 3.4 million votes to

¹⁵ Roy Jenkins, deputy leader of the Labour Party, was amongst these rebels, thus reflecting the depth of the division over Europe within the Party.

1.8 million votes, in which it opposed the Conservative terms of entry, advocated renegotiation and committed the Labour Party to a referendum on any new terms negotiated. The commitment to a referendum on new terms of entry represented a compromise position, which aimed to reflect both the concerns of the Labour left and the commitment to European integration of the right. It was this position which was emphasised by the Labour Party in its 1974 General Election campaigns. Indeed, Harold Wilson sought to contrast the democratic virtue of the Labour Party's position vis-à-vis that of the Conservative Party, announcing in his foreword to the February manifesto,

The Common Market now threatens us with still higher food prices and with a further loss of Britain's control of its own affairs. We shall restore to the British people the right to decide the final issue of British membership of the Common Market (Labour Party, 1974).

It was not, however, until the failure of the 1974-79 Labour government, and the resulting crisis for 'traditional' social democracy in the UK, that the positions held on European integration within the Labour Party began to change.

4.2. The crisis and failure of 'traditional' social democracy and heightened divisions over Europe

The Labour Government was elected in February 1974 on a 'traditional' social democratic platform that sought a 'climate of social justice, and the

re-establishment of political, public control over market, private forces', which aimed to represent and benefit the organised working class, the public sector and the poor, in the interests of the British economy and the unity of British society as a whole (Coates, 1980: 7-12). The actual performance of the 1974-79 Labour Government, however, was a far cry from these expectations. Having suffered from a weak currency, inflation, faltering growth and increasing industrial unrest throughout the 1960s¹⁶, by 1975 the British economy was in crisis: price inflation was over 30 percent, wage inflation was 27.4%, the balance of payments deficit was around £3.3 billion, GDP had fallen by 2.5 percent over the previous year and unemployment had risen to over 1 million. The Government's attempt to tackle these growing economic problems began with a consolidation and increased emphasis on the mechanisms of 'traditional' social democracy, including an extension of social policies for the poor, funded by redistributive taxation, appeals for industry to increase investment and for the trade unions to exercise voluntary wage restraint, all of which was justified in terms of the national interest. However, the collectivism required in order to achieve these aims was absent. Indeed, the more unable it became to solve the economic crisis, the less able the Government was to maintain the social compromise it depended upon to resolve the crisis, thus further exacerbating it (Coates, 1980: 13-24). As Coates put it, the Government needed,

working-class industrial discipline to strengthen exports and to prevent a disastrous,

¹⁶ See Rhodes (2000: 21-31) for an account of these problems and their basis in the failure to secure both productivity and social consensus combined with the increasingly competitive international economy within which the economy was embedded.

inflation-generating run on the pound; and yet [was] unable to stimulate the growth in the economy which would fund government spending without greater taxation or borrowing, and so [was] forced to cut back on programmes vital to the sustenance of trade union and working-class industrial discipline (Coates, 1980: 25).

The weak pound, low exports, high inflation, low productivity, excessive government deficits, and the inability of the Government to resolve the tensions at the heart of these problems, combined with speculation in the increasingly competitive and unfettered international financial markets, to produce the 1976 IMF crisis. Thus,

An uncontrollable wage and prices explosion, a leap in unemployment, and full recession in 1974-5 led to tax increases, cuts and cash limits on all spending programs. A growing fiscal crisis forced the government into heavy borrowing to meet increased demands for welfare as unemployment rose, undermining foreign confidence and forcing the value of sterling to historically low levels (Rhodes, 2000: 35).

It was the loss in the value of sterling that eventually forced the Government to turn to the IMF for assistance. However, in exchange for an IMF loan of \$3.9 billion and (probably more importantly, particularly in terms of securing the confidence of the international currency market) IMF approval, the Labour Government was forced to make further cuts in the government spending plans, this coincided with the attempt to further tighten trade union pay restraint with the introduction, in mid-1978, of Phase 4 of the Government's income policy (Burk,

1992; Shaw, 1996). The combination of slow growth, high inflation, public spending cuts and an increasingly austere incomes policy proved too much for the labour movement to tolerate, resulting in the 1978-9 Winter of Discontent, during which strike numbers rose from 1 million to 4.5 million (Rhodes, 2000: 35) and which eventually resulted in the Labour Government being voted out of office in the 1979 general election.

The IMF crisis marked a clear and public failure for 'traditional' social democracy, marked by the infamous public renouncement of the Keynesian policy of reflationary spending by Labour Prime Minister, James Callaghan, when he told the Labour Party Conference,

We used to think that you could spend your way out of recession and increase employment by cutting taxes and boosting Government spending. I will tell you in all candour that that option no longer exists, and that insofar as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step (Labour Party Conference, 1976).

Thus, the Labour Party's 'traditional' social democratic programme eventually proved unsustainable. On one hand, the redistributive agenda of the Labour Government proved incompatible with the competitiveness required for the British economy to survive within the international economy. Further, the alternative political economic policy options facing the Government, which could have included a rise in productivity through voluntary wage restraint, or the resort

to a more autarkic and protectionist economic model, both lacked the social solidarity that would have been required for their implementation, as evinced by both the Winter of Discontent and the failure of the Labour Party's more radical Alternative Economic Strategy that gained ascendancy within the Labour Party during the early 1980s.

During the same 1974-9 period in office, the Labour Government embarked on its policy of renegotiation of the terms of the UK's entry to the EC. Thus, in March 1975 the Government announced small scale reforms to the British terms of entry to the EC. These renegotiated terms were put to the electorate in the form of a referendum on 5 June 1975. Whilst the NEC and Conference opposed membership¹⁷, collective Cabinet responsibility was postponed and most high-ranking Cabinet members campaigned for a yes-vote. Support by the vast majority of the British political and business elite for a yes-vote proved convincing to the electorate and the UK voted by a margin of two-thirds to one-third to approve the UK's membership of the EC under the renegotiated terms. However, party unity over Europe had been partially secured by the commitment to hold a referendum on renegotiated terms of entry. Thus, once the referendum took place, the divisions within the Party began to resurface. These divisions grew throughout the life of the 1974-9 Government and were to become a particularly important flashpoint in the ideological debates that would follow the failure of 'traditional' social democracy. Amongst the Labour left, the NEC and attendants at the Party Conference, strong opposition to EC

¹⁷ Labour's Special Conference supported an NEC resolution supporting EC withdrawal by 3.72 million to 1.97 million votes.

membership existed, based on the view that European integration undermined national democracy and therefore the prospects for promoting a social democratic agenda within the nation state. Meanwhile, across the Labour right and the Cabinet, support for EC membership grew in strength as the EC came to be viewed as a possible solution to the UK's ongoing economic problems. Thus, in September 1976 the Labour Government agreed to direct elections to the European Parliament, despite the Labour Party Conference supporting a resolution against such a decision by 4 million to 2.2 million votes. Moreover, in an expression of Euroscepticism within the grassroots of the Labour Party, the 1978 Party Conference voted to reform both the Treaty of Rome and the accession agreement between the UK and the EC in order to assert the supremacy of British sovereignty (Featherstone, 1988:61-2).

The failure and public denouncement of 'traditional' social democracy by the Labour Party leadership eventually resulted in an intense ideological struggle within the Labour Party that was to come to the fore of Party affairs during the fallout following the 1979 general election defeat. On one hand, the left campaigned around three interconnected goals: internal party democracy through the ascendant Campaign for Labour Party Democracy (CLPD); national economic democracy in the form of a political-economic programme that came to be known as the Alternative Economic Strategy (AES); and withdrawal from the EC. The left had increasingly come to view the lack of accountability of the party leadership to the grassroots as one of the problems with implementing 'traditional' social democracy in the UK and therefore organised themselves within the CLPD in an attempt to impose democratic organisational reforms upon

the Labour Party. The AES was a programme of economic protectionism, state-financed reflation, fiscal redistribution, and the nationalisation of industry, and represented a more radical form of 'traditional' social democracy in that it sought more thoroughgoing intervention in, and democratisation of, the market economy. Finally, the left viewed the EC as antithetical to this programme as the Treaty of Rome prevented both Keynesian spending and national protectionism, and therefore pursued the withdrawal of the UK from the EC (Callaghan, 2000b). The right resisted each of these initiatives on the grounds that they were economically impractical and therefore rendered the Labour Party electorally unviable. In particular, EC membership became one of the defining issues for the left of the Party as it was seen as an organisation that limited the scope for national economic policy-making (and therefore the scope for implementing social democracy itself).

The period from 1979-83 saw the ascendancy of the left within the Labour Party, leading to the adoption of a more radical 'traditional' social democratic policy framework and the adoption of a policy of withdrawal from the EC. This period therefore represents an attempt to remove two factors that were seen by the left as fundamentally hindering (and therefore explaining the failure of) 'traditional' social democracy: 1) the dominance within the leadership of the Labour Party of unaccountable 'careerists' who lacked the ideological conviction necessary to implement 'traditional' social democracy; and 2) the UK's membership of the European Union, which limited the range of viable policy options available to the governing party of the UK. According to the Labour left, once these constraints were removed, 'traditional' social democracy could once

again become viable (Panitch and Leys, 2001). What the Labour left had failed to realise, however, was that 'traditional' social democracy itself had become unviable due to the lack of electoral support for such a collectivist agenda. Thus, at the 1979 post-election Party Conference the CLPD succeeded in gaining Conference approval of two changes to the party constitution¹⁸. Further, the Conference unanimously adopted Composite resolution 40, which stated that Britain's position within the EC was detrimental to the British people and the Labour movement, and that 'should changes not be made by the early 1980s the question of Britain's continuing membership of the European Economic Community should be reconsidered' (Labour Party Conference Report, 1979: 327-8). 1980 saw the Labour left gain a stronger hold still over the Party. Conference adopted the mandatory reselection of MPs and a new electoral college for the Party leadership¹⁹. Further, the Party Conference also passed a resolution by 5 million votes to 2 million stating,

Conference does not believe that the demands to which we are committed [reform of the Treaty of Rome and of the UK accession agreements] are capable of being fulfilled and urges the Labour Party to include the withdrawal of the United Kingdom from the

¹⁸ These changes were: the compulsory reselection of MPs by their Constituency Labour Party (CLP); and that the NEC, rather than the Party leader, would write the election manifesto. These changes needed to be passed by the following year's Conference in order for them to be adopted as part of the Labour Party constitution.

¹⁹ The new leader and deputy leader were both to be elected on an electoral college consisting of 30% PLP, 30% CLP and 40% trade unions.

European Economic Community as a priority in the next general election manifesto; to disengage Britain from the European Economic Community institutions and in place of our European Economic Community membership to work for peaceful and equitable relations between Britain and all the nations in Europe and the rest of the world (Labour Party Conference Report, 1980: 125-6).

Withdrawal was advocated on the grounds that membership of the EC had exacerbated the imbalance of trade, that the UK was a net contributor to the EC budget despite being one of the poorer countries, that the CAP was wasteful and inefficient, that the EC was undemocratic, that it restricted global trade and therefore represented a 'club for capitalism', and that it prevented the implementation of the AES (Labour Party Conference Report, 1980: 125-32). In opposition to the resolution, David Owen argued that the Labour Party and the UK had,

to face certain realities. The Community is now our dominant trading partner. Seven out of ten of our biggest export markets are in the European Community. Since 1975 UK exports to the Community have expanded faster than imports. In the first six months of this year exports covered 94 per cent of imports. Forty-three per cent of our exports went to the EEC... In 1984 jobs are going to be the massive issue that faces this country after the devastation of Thatcherism, and it will be a very serious decision as to whether this movement feels that we should withdraw from the European Community (Labour Party Conference Report, 1980: 128).

Yet Owen was unsuccessful in arguing for the kind of economic pragmatism that had characterised the 1974-9 Labour Government, and merely succeeded in consolidating the growing divide between the moderates and left within the Labour Party. Finally, 1980 also saw Michael Foot elected as Labour Party leader, another symbolic step in the left's ascendancy to power.

1981 saw the Labour Party torn apart by the divisions that had been growing throughout the 1970s. The moderate Labour right believed the role of the Labour Party was to govern over a healthy capitalist economy in a manner which enabled the state to appropriate funds from that economy to spend on redistribution and welfare in order to achieve a more equal and fair society. According to this view, the health of the economy required economic integration with the other EC member states. The ascendant Labour left, however, believed the role of the Labour Party was to democratise the British economy in order that it could be directed towards more egalitarian, needs-based production. According to this view, the democratic control of the economy required protection from external interference, i.e. withdrawal from the EC. Therefore, as the Labour left grew in influence within the Labour Party, the moderate right began to view their own aims as increasingly incompatible with membership of the Party. This realisation became complete in March 1981 when the Gang of Three²⁰ left the Labour Party to form the Social Democratic Party (SDP).

²⁰ David Owen, Shirley Williams and Bill Rodgers, later to become the Gang of Four when they were joined by Roy Jenkins. Eventually 28 Labour MPs joined the SDP.

The SDP split initially resulted in the left of the Labour Party having even less opponents inside the Party²¹, and therefore gave a further boost to their ongoing ascendancy. At the 1981 Conference an NEC statement advocating withdrawal from the EC was supported by 6.21 million to 782,000 votes. At the same Conference a composite resolution calling for withdrawal was adopted by 5.81 million votes to 1 million. However, despite the overwhelming support for a policy of withdrawal, doubts were beginning to creep into the minds of some of the leading personnel within the Labour Party regarding its feasibility. In November 1981 Labour Party representatives visited Brussels to discuss the process of withdrawal. In their report back to the NEC they noted that the UK would still be under the obligations of the Treaty of Rome if they sought to negotiate an EFTA-style relationship with the EC. Moreover, to simply revoke the 1972 Act would be in breach of international law. Further, in 1982 a number of articles appeared in the party's journal *New Socialist* which viewed the EC as a means to promote Keynesianism or the AES on a European scale. Barbara Castle, who had campaigned for a no-vote in the referendum and was now a Labour MEP, published an article in the *New Statesman* in September 1982 in which she argued that the Labour Party should accept EC membership and fight for a more Keynesian stance within the European institutions. Finally, Michael Foot's leader's speech at the 1982 Party Conference was highly ambiguous,

²¹ Although the creation of Solidarity, a faction containing 100 MPs within the PLP, including Roy Hattersley, Peter Shore and Gerald Kaufmann, did counter some of the influence of the hard left within the Party.

managing to accept the case for withdrawal whilst at the same time advocating the importance of internationalism (Broad 2001, 145-54).

Despite the emergence of certain concerns and misgivings, the Labour Party entered the 1983 General Election on a radical platform of national expansion, planning, investment and withdrawal from the EC. The programme included plans for a government spending-led boost to the national economy in order to tackle mass unemployment, for a redistributive welfare spending regime to tackle inequality and poverty, a commitment to limit imports and avoid inflation through price controls, and a programme of industrial democracy (Labour Party, 1983). Alongside these commitments, the Labour Party claimed,

The next Labour government, committed to radical socialist policies for reviving the British economy, is bound to find continued membership [of the EC] a most serious obstacle to the fulfilment of those policies. In particular the rules of the Treaty of Rome are bound to conflict with our strategy for economic growth and full employment, our proposals on industrial policy and for increasing trade, preventing us from buying food from the best sources of world supply, they would run counter to our plans to control prices and inflation.

For all these reasons, British withdrawal from the Community is the right policy for Britain – to be completed well within the lifetime of the parliament (Labour Party 1983).

The 1983 manifesto has since been dubbed ‘the longest suicide note in history’²². The Labour Party gained only 27.6% of the vote (its lowest since 1918), losing 60 seats in the process, clearly evincing both the lack of electoral support for such a collectivist policy and the lack of faith within the electorate regarding the viability of such an agenda (a lack of faith that can only have been confirmed by the absence of cooperative practices and relations within British society at the time). Thus, whilst the governing strategy of the moderate Labour right had failed in 1974-9, the radical electoral strategy of the Labour left failed equally dramatically in the 1983 election. It was the scale of the 1983 defeat that rang the death knell of ‘traditional’ social democracy. Having witnessed the failure of moderate ‘traditional’ social democracy in the 1974-9 period and the crushing defeat of a more radical strand in the 1983 election, the Labour Party was forced to undergo a painful period of adaptation to the social, economic and political environment within which it found itself. It was during this period that European integration was first able to play a positive role for Labour Party unity, electoral viability and political legitimacy. In particular, the opportunities perceived to exist at the European level appealed across the ideological spectrum of the Labour Party, thereby engendering unity where previously there had been highly damaging division.

4.3. The transformation to ‘new’ social democracy and the legitimating role of the EU

²² A comment attributed to Gerald Kaufman MP.

Following the 1983 general election defeat, Michael Foot resigned as leader of the Labour Party. He was replaced by Neil Kinnock as the new party leader, with Roy Hattersley elected as the deputy leader. The new leadership immediately set out to moderate the language and ambitions of the Labour Party in the light of the dramatic 1983 defeat. Simultaneously, the leadership sought to steer Labour Party policy away from its policy of withdrawal from the EC. Thus, in an article published in 1984, Kinnock argued that the EC could be helpful for both the Labour Party and the UK (Kinnock, 1984). In the same edited collection Stuart Holland, an economist of the Left and supporter of the AES, made the case for a European-wide programme of reflation, planning, investment and redistribution. According to Holland, this 'Eurokeynesian' programme should be promoted by a unified left at the EC-level. Indeed, he saw coordinated European action as the only means to achieve a social democratic programme of economic stimulation, asking 'How can the European left hope to succeed where the French government failed in gaining sustained recovery?' To which he answered,

Precisely, in part, by being a European left rather than a left within one country, or a minor Atlantic partner offering capital with a human face. Precisely by being a left open to all of Europe and a wider world rather than confined by the Common Market. Precisely by arguing for the maxi budget which will help the world spend its way out of slump rather than only for mini budget rebates on a food-price policy. If even some like-minded left governments can jointly face this global challenge on the lines of the recovery programme spelled out in the 1984 manifesto of the Confederation of Socialist Parties, then not only Europe but also the world would have a chance of

surmounting the current crisis (Holland, 1984: 263-4).

This shift in perspective, by an influential thinker on the Labour left, from an initial focus on the nation-state to a new focus on the European level, was an important recognition of the limitations of a nationally-oriented 'traditional' social democracy. Moreover, this position developed through collaboration between members of the executives of the socialist parties of the UK, Portugal, Spain, Italy, Greece, France, Belgium, the Netherlands and Sweden, published under the editorship of Stuart Holland himself, entitled the *Out of Crisis* project (Holland, 1982). Thus, the idea was emerging amongst the Labour left that cooperation with other social democratic parties at the EC-level could be beneficial to advancing their programme²³, and therefore avoid its abandonment despite its apparent unfeasibility at the national level. Finally, there was also recognition amongst the leadership of the Labour Party that the commitment towards British withdrawal from the EC confirmed the opinion amongst the wider electorate that the Labour Party was extremist and unfit to govern²⁴, and that therefore to drop its anti-European stance would be beneficial to the Party's electoral fortunes. Thus, between 1983 and its re-election in 1997, the Labour Party would undergo a moderation of the policies pursued at the national level (leading to the eventual adoption of a 'new' social democratic agenda), combined with a legitimization of

²³ Another example of a similar viewpoint can be seen in Paul Teague's 1985 article in *Capital and Class*, in which he argues for the promotion of the Alternative Economic Strategy at the European level (Teague, 1985).

²⁴ Interview by the author with Neil Kinnock, 3 December 2002

social democracy (despite the necessity of its moderation) through the re-assertion of more traditional market-correcting goals at the European level.

However, opposition towards the EC was still strong within the Labour Party immediately following the 1983 election so no change in official policy was immediately forthcoming, in part due to reluctance to discuss the issue at the formal level due to its potential to divide the Party. Indeed, the issue of European integration was not discussed at Party Conference between 1983 and 1987. The 1984 EP manifesto accepted British membership of the EC until at least 1989, whilst simultaneously advocating attempts to tackle unemployment through the EC and retaining the option of withdrawal. Over the Single European Act, the Labour Party was in an awkward and unclear position, opposing the Conservative Party's opposition to an inclusion of social policy as a European competence but unable to give its own support to the SEA. The 1987 General Election manifesto committed the Labour Party to working within the EC on the economy and unemployment, whilst promising to protect the national interest if necessary (Broad, 2001:156-68). However, whilst silent indifference over the EC was manifest at the official level of Labour Party policy, there was an undercurrent of increasingly positive opinion within the Party as the EC came to be viewed as a means to achieve economic reflation and democratic intervention within a context of international economic recession and a dominant Conservative Government at the national level. Thus, Kinnock argued in an article in the *New Statesman* that sterling should enter the EMS *provided* it was part of a wider programme to stabilise exchange rates, to promote employment through fiscal expansion, and part of an internal trade policy that sought to avoid the

concentration of economic activity within the more prosperous regions (*New Statesman*, 7 November 1986). Further, Frances Morrell, a one-time leading advocate of the AES and at the time leader of the Inner London Education Authority, argued that the effect of Thatcher's management of the British economy had been to strengthen the power of international currency speculators and to exacerbate the UK trade deficit. This, she claimed, had rendered redundant both the AES and a policy advocating withdrawal from the EC. Indeed,

the only course of action open to us, if we wish to protect the interests of working people in this country, is to devise joint strategies with other European countries who share the same objectives and face the same problems (*New Statesman*, 6 March 1987).

The frustration of political life under Thatcher, combined with the growing feeling of impotence in the face of a struggling international economy, led many within the Labour Party to view the European Community as a possible solution to these problems and obstacles. Further, the third consecutive General Election defeat in 1987 increased the pressure on the Labour Party to modify and adapt its political programme.

As already shown, there had been growing signs of a Labour Party U-turn on Europe between 1983 and 1987. The experience of political and economic life under Thatcher had begun to make the European Union an increasingly attractive alternative to the British State. This momentum gained strength following the third General Election defeat of 1987. For instance, 1988 saw the

publication of David Martin MEP's 1988 Fabian pamphlet, *Bringing Commonsense to the Common Market – a left agenda for Europe*, in which it was argued that the Left needs to tackle the political agenda within the EC in order to retain political relevance (Martin, 1988). Further, one of the most important events to effect the Labour Party position on Europe came with the 1988 Trades Union Congress (TUC). Jacques Delors was invited to give a speech to the Congress, in which he argued that the Common Market was good for the economy and for consumers, that it would help with attempts to tackle uneven development across Europe, and would bolster social protection and collective bargaining. Thus, having been under constant attack from a hostile Conservative government throughout the 1980s, the visible attempt by the head of the European Community to actively attract the involvement and support of British trade unionism made the EC seem increasingly attractive (George and Rosamond, 1992). The TUC responded positively to Delors' speech, voting to accept the TUC Report on '1992' (TUC, 1988), in which the trade union movement committed itself to campaigning to build the "social dimension" at the EC level. Thus, the labour movement was beginning to see the European Union as a political opportunity rather than political constraint. Indeed, in the debate on the adoption of the Report on '1992', a number of participants expressed such sentiments. For instance, Roy Grantham, the Association of Professional, Executive, Clerical and Computer Staff delegate and mover of the composition motion welcoming the TUC Report and advocating a campaign for more social rights at the EC level, claimed,

The Prime Minister may be able to drive the whole of Whitehall into the narrow fundamentalist doctrines of Thatcherism but there is no way that she can stop us reaching agreement in Brussels (TUC Report 1988: 576).

In the same debate the Union of Communication Workers delegate, Mr. F. Jepson, argued that,

We call for a major programme. We need to establish common European-wide bargaining so that we can combat the power of the multi-national. We need to plan an informative programme for members on the effects of 1992. We need to draw up a European workers' charter with positive, not negative, rights. We need to use the opportunities under Article 118a of the Single European Act for extending workers' rights, through directives from the Council of Ministers aimed at upward harmonisation across the European Community (TUC Report 1988: 577).

Thatcher's now infamous Bruges speech took place on 20 September, just weeks after Delors' TUC speech. In it she claimed that 'we have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels'²⁵. Hence, by the time of the 1988 Labour Party Conference on 6 October the context was set for the Labour Party to re-launch itself as the party of Europe. In the Party Conference the year before, following its third consecutive electoral defeat, Labour had launched what was to be a major

²⁵ <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=107332>

internal policy review. At the 1988 Party Conference, the Britain in the World Policy Review Group (PRG) made its first report back to Conference, stating that 'Our membership of the European Community puts us at the heart of the world's largest trading bloc, and presents opportunities to secure co-ordinated European action to tackle problems at home and abroad' (Labour Party, 1988: 45). The Conference went on to adopt composite 58, which called for the EC-level to produce an 'upward harmonisation of standards at work', 'industrial and economic democracy', social protection and training, which endorsed the 'new social agenda of Commission President Jacques Delors', and which mandated the NEC to formulate a socialist manifesto for the 1989 EP elections. In sum, the composite resolution claimed that

the Labour Party, in conjunction with the other socialist parties of the EC, must seek to use and adapt Community institutions to promote democratic socialism (Labour Party Conference Report 1988: 180).

Thus, the Labour Party had formally committed itself to working within the EC.

This new pro-Europeanism was presented to the national electorate for the first time in the EP elections of the following year. In these elections the Labour Party won 40.1% of the votes and 45 seats, compared to the Conservative Party's 34.7% and 32 seats. The experience of advocating a pro-European approach was therefore a positive one for the Labour Party. Meanwhile, the Labour Party's acceptance of British membership of the EC was further consolidated in the final report of Labour's policy review, in which it stated,

1992 and the Single Market create great opportunities and great challenges for Britain. We believe that Europe must be a *Community* as well as a Market. We want a Community that modernises industry, protects the environment, generates jobs, advances women's rights and helps the regions. We want the British people to get the best from the European Community (Labour Party, 1989: 79).

This report was adopted by the 1989 Conference, whilst a composite resolution condemning the undemocratic nature of the EC was rejected by the same Conference (Labour Party Conference Report 1989: 156-7). These votes therefore symbolise very clearly the transition of the Labour Party from Eurosceptic to Euroenthusiast. The EC had become a means to promote the Labour agenda of social reform and an overly critical stance towards its institutions was therefore no longer acceptable to the grassroots of the Party.

Ken Coates and three other representatives of Labour's socialist left gained election to the European Parliament in the 1989 elections. These four represented a continuation of the *Out of Crisis* tradition, advocating an EC-level programme of investment and redistribution in order to stimulate the economy. In pursuit of this aim Ken Coates launched the *European Labour Forum*, a quarterly journal running articles promoting this view and the need for European-level cooperation between the left in order to achieve it. This transition of the Labour left was epitomised by Brian Sedgemore's²⁶ announcement of his conversion from Euroscepticism to pro-Europeanism in the

²⁶ A member of the left-wing Campaign Group of MPs.

House of Commons on 15 June 1990. This was a move consolidated by the putting down of an Early Day Motion (EDM 193) by Sedgemore and six other leftists (including Ken Livingstone), in which the Social Charter was heralded as an important first step in the creation of a democratic, social Europe. Indeed, by 1991 the Labour left appeared to be more positive about the advantages to be gained from operating within the EC than the Right (Broad, 2001: 177-84). Thus, by the early 1990s, there was a broadly pro-European consensus existent across the ideological spectrum of the Labour Party. This enabled both the moderate Labour right and the more radical Labour left to attain a degree of unity: for the right the EC promised respectability and moderation and the possibility to promote a social democratic agenda without appearing extremist and out-of-touch with international socio-economic developments; for the left it represented the last hope of democratic intervention in an increasingly globalised and neo-liberal governed economy. Thus, in stark contrast to the preceding 30 years, European integration actually contributed towards the achievement of internal Labour Party unity.

The negotiations for the Maastricht Treaty (TEU) further divided the Conservative Party, resulting in John Major's negotiation of the UK opt-out from the Social Protocol in an attempt to unify the pro (by signing the Treaty) and anti (by opting out from the social provisions) wings of his party. Whilst the Labour Party itself did not have an entirely coherent stance on the TEU (supporting EMU but preferring to see political accountability for the European Central Bank (ECB)), it was able to unify around its support for the UK's signing of the Social Protocol, thereby illustrating to the Labour Party leadership the political benefits

to be gained by unifying around a pro-European stance and stressing the possibilities for democratic intervention at the EU-level (Broad, 2001: 179, 185). The Labour Party therefore entered the 1992 General Election campaign with the Labour left convinced of the importance of promoting a social Europe, with the leadership benefiting from a unified party over Europe (in contrast to a heavily divided Conservative Party), with the trade unions committed to campaigning for social protection and industrial bargaining at the EU-level, and with the moderate wing of the Labour Party viewing acceptance of the reality of UK membership of the EC as a symbol of the Party's new found ideological moderation (but not ideological bankruptcy). This convergence of pro-Europeanism across the Labour Party led it to enter the 1992 election with the Leader declaring 'we are determined that Britain will be a leader in the New Europe, setting higher standards and not surrendering influence by opting out' (Labour Party, 1992). Moreover, in the main body of its manifesto, the Labour Party promised to,

promote Britain out of the European second division into which our country has been relegated by the Tories. ... to end the Tories' opt-out from the Social Chapter, so that the British people can benefit from European safeguards. ...

fight for Britain's interests, working for Europe-wide policies to fight unemployment and to enhance regional and structural industrial policy. The elected finance ministers of the different countries must become the effective political counterpart to the central bank whose headquarters should be in Britain (Labour Party, 1992).

Alongside the Britain in the World PRG, six other groups met between 1988 and 1991 and agreed a series of policy changes that collectively represented an ideological transition away from the radical policies adopted during the period of the left's dominance over the Party between 1979 and 1983. This moderation was characterised by a reduction in the scope of state intervention and an emphasis upon the government's role in promulgating supply side reforms such as education, training and the promotion of research and technological innovation (Taylor, 1997). This policy review reflected the Labour Party's acceptance of much of the Conservative Government's critique of 'traditional' social democracy, including the claim that an oversized government was inefficient and therefore damaged the economy either directly (through its inefficiency) or indirectly through its negative effect on the investment decisions of capital. The role envisaged for the government was one of facilitation of the market through the provision of certain supply-side conditions for investment and growth and therefore represented the first steps in the adoption of a 'new' social democratic programme. Thus, in the 1990 document, *Looking to the Future*, the party stated,

We welcome and endorse the efficiency and realism which markets can provide. The difference between ourselves and the Conservatives is not that they accept the market and we do not, but that we recognise the limits of the market and they do not. The market can be a good servant, but is often a bad master.

Left to itself, the market cannot provide the education and training, the high-speed transport and telecommunications, the environmental protection, the investment in

science and technology or the regional development which a modern economy needs

(Labour Party, 1990: 6)

By 1992, then, the Labour Party had managed to secure a degree of internal unity around a moderated programme of 'traditional' social democracy. The moderation of this programme had become necessary following the failure of 'traditional' social democracy in the 1974-9 government and the 1983 general election. Internal unity had (in part) been secured through the recognition that moderation was necessary and through the ambition to reassert 'traditional' social democratic values, aims and goals at the European level.

However, the Labour Party's conversion to moderate pragmatism proved unconvincing to the British electorate and the Labour Party lost the 1992 election to the Conservative Party. In particular, the Party's commitment to higher taxation and spending was of particular concern to many of the middle class voters the Labour Party courted, and was successfully emphasised by the Conservative Party as a key sign of the implausibility of Labour's moderation (Butler: 1992), thus further evincing the absence of solidaristic support for state policies that would seek to promote the collective over the individual interest. According to many on the right of the Labour Party, this fourth consecutive general election defeat clearly signified the need for a full-scale modernisation of social democracy. A *new* social democracy was required, and following a brief pause in the modernisation of the Labour Party whilst it was led by John Smith, 'new' social democracy was eventually adopted as the official policy of the Labour Party under the leadership of Tony Blair.

Neil Kinnock resigned as leader of the Labour Party following the 1992 electoral defeat. The subsequent leadership election campaign saw EU-friendly and politically-moderate John Smith gain 90.9% of the vote in a contest against the EU-sceptic candidate, Bryan Gould. This overwhelming victory by Smith illustrates the scale of the conversion that had occurred within the Labour Party, with left-wing opposition to the EU now almost completely eradicated (George and Haythorne, 1996: 119). This was confirmed in a survey published the same year which showed that 89% of Labour Party members believed Britain should continue as a member of the EC and 72% of members disagreed with a statement that Labour should resist further EC integration (Seyd and Whiteley, 1992: 125-6). However, John Smith's leadership of the Labour Party was short-lived, coming to an abrupt end with his unanticipated death just days before the 1994 European Parliament elections. The election of Tony Blair as leader of the Labour Party on 21 June 1994 represented a new direction for the Labour Party²⁷. Elected with 57% of the vote²⁸ Blair and his entourage of 'modernisers'²⁹ argued that the failure of the Labour Party to win the 1992 General Election could be explained in terms of the failure of Labour to convince the electorate that it really accepted the infeasibility and unsuitability of 'traditional' social democracy and would therefore seek its reimplementation upon their re-election. In order to rectify this

²⁷ Some would argue that it represented a continuation of Kinnock's revisionism (see particularly Panitch and Leys, 2001).

²⁸ In contrast with 24% for John Prescott and 19% for Margaret Becket.

²⁹ Including Peter Mandelson, Alistair Campbell and Philip Gould. These came to be the leadership of the modernising wing of the party and the key proponents of 'New' Labour.

mistrust amongst the electorate, Blair argued, it was necessary to prove that Labour was committed to the market and were not covert socialists (Mandelson and Liddle, 1996: 92). This marked the birth of New Labour, a political programme aiming to transform the image of the Labour Party in the minds of the electorate. Blair sought to contrast his New Labour, which advocated market efficiency, meritocracy, an indirectly facilitating (rather than directly intervening) government, a less centralised and overbearing state and efficient public services, with the popular conception of Old Labour, which (according to the modernisers) was associated with heavy-handed state intervention and disproportionately influential trade unions (see Blair, 1998 for a coherent outline of this view). The main tool that Blair chose to symbolise this transformation was the reform to Clause IV of the Labour Party's constitution, thereby changing the Party's constitutional *raison d'être* from the 'common ownership of the means of production'³⁰ to the aim to 'create for each of us the means to reach our true potential and for all of us a community in which power, wealth and opportunity are in the hands of the many not the few', an aim to be realised through 'a dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation to produce the wealth the nation needs and the opportunity for all to work and prosper'.

Holden comments that 'between 1994 and 1997, Labour under Blair chose not to address the European issue in any form of strategic fashion' for fear of

³⁰ The original clause IV had in reality been moribund since at least the 1960s, and arguably since it was written.

antagonising an electorate that the Labour leadership perceived as wary of any further cessation of power to the EU (Holden 2002, 132). However, the European Union did play an important unifying role within the Labour Party. On one hand, by signifying the willingness of the Labour Party to subordinate its economic policy to the necessity of the Single European Market, Labour's pro-Europeanism enabled the further consolidation of the Party's image as a sensible party of national government which had rejected its 'traditional' social democratic ambitions (Daniels, 1998). On the other hand, pro-Europeanism also held out the hope to Labour Party politicians, members and supporters who viewed the construction of New Labour as too great a revision and moderation of 'traditional' social democratic aims and values that the European Union may provide the opportunity to implement more 'traditional' social democratic goals in the future. Mandelson and Liddle, key architects of the New Labour programme, thus acted to fuel these hopes when they stated,

New Labour recognises the role of the nation-state and its historical significance and responsibilities. But it does not confuse symbols with reality. It knows that in the modern world it is only through Britain's committed participation in the European Union that we can regain true sovereignty – in other words, the political ability to tackle problems in the public interest – over many issues which have slipped beyond the nation-state's individual reach, whether the question be global warming, the prevention of future wars in Europe, or international economic cooperation to provide the conditions of stability necessary to boost economic growth in Europe and restore full employment (Mandelson and Liddle 1996, 27-8).

A survey of Labour MPs conducted between 1995 and 1996 confirms that the EU-level was increasingly seen as an opportunity to achieve more 'traditional' social democratic aims that could no longer be achieved at the national level. The survey found that 88% agreed with the statement that 'the globalization of economic activity makes European Union membership more, rather than less necessary for the UK'. Further, 83% disagreed with the idea that 'harmonization of social policies should not be an EU objective' and 83% believed that 'the extension of 'social dialogue' through the institution of works councils is a necessary component of economic progress in the EU' (Baker and Seawright, 1998). Thus, with the EU-arena viewed as the one with the greatest potential for social democratic intervention we can understand the decision by 32 Labour MEPs to sign an advert in the *Guardian* on 10 January 1995 calling for the retention of Clause IV and thereby upstaging a visit by Blair to Brussels. The Labour group in the European Parliament (EPLP) also ran a campaign, *Getting a fair deal at work*, in the second half of 1995, highlighting the disadvantages faced by British workers due to the Conservative refusal's to sign the Social Protocol (EPLP, 1996). The European Union was, thus, increasingly viewed as an institution through which the revisionism of the Blair project could be bolstered with more 'traditional' social democratic initiatives, or even, in the case of the 32 rebel MEPs, an institution within which it was safe to attack Blair's revisionism (Broad 2001, 190).

By the time of the 1997 general election the Labour Party under Blair had fully adopted a 'new' social democratic programme. This included an avowed

rejection of the statist approach of 'traditional' social democracy, of fiscal redistribution (and especially increases in income tax), of expansion of the welfare state, and of a macroeconomic policy aimed at planning and direct management of the economy. Instead, 'New' Labour proposed a policy framework that was business-friendly, including a low tax regime with social and economic policies focused on active labour market policies (education, training, support for technological research and development, and subsidies for work experience placements) and means-tested benefits (often linked to attempts to join the labour market) for the poorest (and most worthy, which was usually defined in terms of their preparedness to engage in paid employment) sections of society. This new policy programme was justified both in terms of its ethical superiority over 'traditional' social democracy (see Blair, 1998) *and* in terms of the impracticability of 'traditional' social democracy given the scale of 'globalisation' and the limits it places upon state activity (cf. Watson and Hay, 2003). This gradual redundancy and rejection of 'traditional' social democracy by the Labour Party had been taking place since the 1976 IMF crisis. In particular, the rejection of 'traditional' social democracy at the national level had been made palatable due to the prospect for re-asserting 'traditional' social democratic aims at the EU-level. However, the scope of this supranational 'traditional' social democratic agenda was restricted, at least in the short-to-medium term, by the substantial limits to positive European integration; limits which 'new' Labour would itself later act to re-assert. Thus, the European level enabled the 'new' social democratic Labour Party to appeal to 'traditional' social democrats (due to the possibility of reasserting 'traditional' aims at the EU-level), to distinguish themselves from the

conservative neo-liberalism of the Conservative Party (due to the promotion of a progressive agenda at the EU-level), and to simultaneously placate the fears of more recent converts to the 'New' Labour programme who might otherwise suspect that the conversion to 'new' social democracy was only a temporary measure until after it gained election to office.

The Labour Party (or what had become firmly ensconced in the national consciousness as 'New' Labour) therefore entered the 1997 General Election on a platform reflecting this utilisation of the European Union as both a symbol of the conviction of the party to its new-found commitment to 'new' social democracy *and*, at the same time, the promise of some kind of broadly progressive political action at the EU-level. Thus, in outlining its 'new' social democratic programme to the electorate in its 1997 manifesto, *New Labour: Because Britain Deserves Better*, the Labour Party claimed:

The old left would have sought state control of industry. The Conservative right is content to leave all to the market. We reject both approaches. Government and industry must work together to achieve key objectives aimed at enhancing the dynamism of the market, not undermining it (Labour Party, 1997).

In order to further distance itself from the tainted image of 'Old' Labour, the manifesto stated,

We have rewritten our constitution, the new Clause IV, to put a commitment to enterprise alongside the commitment to justice. We have changed the way we make

policy, and put our relations with the trade unions on a modern footing where they accept they can get fairness but no favours from a Labour government (Labour Party, 1997).

Further, to illustrate its replacement of class-based politics with national pragmatic politics, the manifesto stated,

We are a national party, supported by people from all walks of life, from the successful businessman or woman to the pensioner on a council estate. ...

We are a broad-based movement for progress and justice. New Labour is the political arm of none other than the British people as a whole. Our values are the same: the equal worth of all, with no one cast aside; fairness and justice within strong communities.

But we have liberated these values from outdated dogma or doctrine, and we have applied these values to the modern world (Labour Party, 1997).

The manifesto sought to substantiate these claims through its policy on the European Union, committing itself to the achievement of market competitiveness *and* the possibility of coordinated social reforms at the EU-level (within the institutional limits to such an agenda). On its adoption of market-building policies, the manifesto committed the Labour Party to the:

Rapid completion of the single market: a top priority for the British presidency. We will open up markets to competition; pursue tough action against unfair state aids; and

ensure proper enforcement of single market rules. This will strengthen Europe's competitiveness and open up new opportunities for British firms (Labour Party, 1997).

At the same time, the manifesto promised to retain,

the national veto over key matters of national interest, such as taxation, defence and security, immigration, decisions over the budget and treaty changes, while considering the extension of Qualified Majority Voting in limited areas where that is in the national interests (Labour Party, 1997).

On the possibility of progressive, market-correcting policymaking at the EU-level, the Labour Party made a cautious commitment for 'Britain to sign the Social Chapter', whilst pointing out that

Only two measures have been agreed – consultation for employees of large Europe-wide companies and entitlement to unpaid parental leave. ... The Social Chapter cannot be used to force the harmonisation of social security or tax legislation and it does not cost jobs (Labour Party, 1997).

Thus, by the time of the 1997 general election, the British Labour Party had transformed from 'traditional' to 'new' social democracy, whilst retaining the hope of reasserting more traditional and substantive social democratic goals at the EU-level at some point in the future, yet nevertheless recognising that serious limits to European integration would necessarily prevent the implementation of

such an agenda for some time to come. In this way, New Labour was able to promote its electorally-necessary commitment to 'new' social democratic moderation, at the same time as offering more 'traditional' social democrats the prospect of a more substantive agenda at the supranational level (with the Social Chapter representing the first step in this process), and therefore retaining a degree of ideological continuity, whilst ensuring that this reassertion of more 'traditional' social democratic aims would be kept within 'safe' limits in accordance with the limits to European integration.

4.4. The problematic and paradoxical legitimization of 'new' social democracy at the EU-level: 1997-2004

Once in government, the Labour Party leadership sought to maintain its support amongst recent converts to the 'New' Labour programme, viewing these as a fundamental element in their electoral coalition. This required reassurance (in mantra-like statements) that the Government had "been elected as New Labour and would govern as New Labour". Simultaneously, the Labour leadership sought also to distinguish itself from the previous Europhobic and neoliberal Conservative Government. In continuity with policy developments made whilst in opposition, the 'New' Labour Government sought to utilise its policy on European integration to illustrate both its commitment to the free operation of the market and its commitment to a more progressive conception of governance than the preceding Conservative Government. However, given the paradoxical (yet necessary) reliance upon a level of governance in which policymaking was

hindered by limits intrinsic to the institution itself, some of the legitimating potential of the EU began to wane, manifesting itself in the resurfacing of internal divisions and electoral disaffection.

One of the first major policy announcements made by the incoming New Labour government was its decision to grant operational independence to the Bank of England. In this first statement the Blair government was able to illustrate its commitment to a market-building monetary policy subordinated to the primary goal of price stability, whilst also illustrating that the Government was prepared to accept the loss of economic policy decision making capacity that would be required should the UK enter the single currency³¹ (Daniels, 1998: 85). The new Government was able to make a much more explicit statement of its European policy the following month as the Intergovernmental Conference that had begun the previous year reached its concluding stage at the Amsterdam summit of June 1997. The Prime Minister had set out his position on the summit, and in particular the social and economic policy aspects of it, in an earlier press conference when he stated,

I don't believe there is an appetite in the rest of Europe to have great rafts of additional legislation under the social chapter. I think that what there is an acceptance of, certainly on our part, is that it is suitable for us to be part of the social chapter so that we are part of the discussions on any legislation there, but we have made it very clear, as you know, that for example we would not allow other countries' social security systems to be imported into Britain as part of the social chapter. I have to say to you I

³¹ Membership of the single currency required a politically independent Central Bank.

don't believe there is any appetite to do that in the rest of Europe, and quite rightly too.

In fact I would say that one of the things that we stressed today, and I think there is increasing acceptance of, is the need to focus the attention of the European Union very, very closely indeed on job creation and on employability, on making sure that we have labour markets that actually assist the reduction of unemployment and the creation of jobs for the future and that is obviously one of the things that we were pressing on and I think we found a very welcome audience³².

This position had been formulated whilst the Labour Party was in opposition through a series of meetings of the Leader's Working Group on the IGC that had been created at the behest of Blair upon his election as leader of the Labour Party (Fella, 2002). Through this policy, the Prime Minister was able to both express a concern for 'traditional' social democratic goals relating to job creation and the reduction of unemployment, whilst simultaneously pointing out, accepting and justifying the limits to a more interventionist programme in this area as it would represent the importation of 'other countries' social security systems' for which there is a lack of appetite across the EU. Similarly, the inclusion of the UK in the EU Social Chapter was portrayed by the UK government as a sign that the UK was no longer governed by a backward and xenophobic party and that, under Labour, it would be possible for important social and economic reforms to be achieved, whilst the limits to such reforms were consistently and clearly stated (Deighton, 2001).

The nature of the social and economic reforms to be sought within the

³² <http://www.pm.gov.uk/print/page1598.asp>

European Union by the New Labour Government, were outlined more clearly by Gordon Brown in a speech to the Royal Institute for International Affairs on 17 July 1997. It was this speech that made it explicitly clear that the New Labour government would not be seeking Keynesian-style reforms at the EU-level, as many of the more 'traditional' elements within the 'New' Labour coalition had hoped³³. Indeed, in making this speech Brown sought to assuage those that feared New Labour would revert to its interventionist past. Thus, he announced,

I want today to put British proposals for economic reform at the centre of the European agenda. And by economic reform, the Government means: new policies for opening up competition, and completing the single market; a new agenda for employment and employability in an economy of flexible markets; new policies for competitiveness; and reforms in the community's use of its finances (Brown, 1997).

Thus, whilst the gradual moderation of the Labour Party had been legitimated in part by the hope that 'traditional' social democracy could be reasserted at the EU-level; once in office the Labour leadership made clear that this would not be the case, and moreover *could not* be the case for justifiable reasons related to the limits to European integration. Thus, in the same speech, Brown was clear to state, 'of course the nation state is and will remain the focus of our British identity

³³ The Summer 1997 edition of Ken Coates' European Labour Forum contained a call by more than 160 MEPs for a Convention for Full Employment to meet in Brussels prior to the Amsterdam summit to raise demands for an EU financed programme of infrastructure investment to tackle the problem of unemployment across Europe (European Labour Forum, Summer 1997).

and our loyalty. ... The nation state will continue to represent our national interest.

That is why we reject federalism' (Brown, 1997, emphasis added).

The Government's European Union policy was made clearer still in October, when the Chancellor announced the official Government position on economic and monetary union. Outlining the (now famous) five economic tests that would form the basis for the government's decision on whether the UK should join the Euro³⁴, Brown sought to highlight the Government's commitment to the single currency's market-building criteria for entry, stating that, 'we will ensure that our fiscal rules, and our deficit reduction plan, continue to be consistent with the terms of the stability pact, thus underlining our commitment to avoid an excessive deficit under Article 104c of the Treaty...' (Speech by Gordon Brown to the House of Common, 27 October 1997, Hansard columns 587-8). In response to the accusation that membership of the single currency would undermine national sovereignty, Brown was quick to point out that, 'there is no question of our giving up our ability to make decisions on tax and spending. That is what we do, and will continue to do, through our Budgets' (Speech by Gordon Brown to the House of Commons, 27 October 1997, Hansard column 596).

It was in light of this commitment to economic liberalism and the reluctance to promote a more interventionist agenda at the EU-level, in part justified by the institutional limits to deeper European integration, that first

³⁴ The tests are: 1) whether there can be sustainable convergence between Britain and the economies of the single currency; 2) whether there is sufficient flexibility to cope with economic change; 3) the effect on investment; 4) the impact on financial services generally; and 5) whether it is good for employment.

exposed the problematic nature of the paradoxical legitimisation of 'new' social democracy at the European level when stalwarts of the EPLP left, Ken Coates and Hugh Kerr, decided to leave the Labour Party over its pro-market policies and undemocratic internal decision making. Their decision to leave, they claimed, was due to pressure by the Labour Government to vote against moderate legislative proposals in the EP (against the rest of the PES group), its introduction of a list (rather than constituency) system of elections to the EP³⁵, combined with 'the rightward-moving platform which unites Blairite social democrats and so many Thatcherite Tories'. It was a decision which had 'been forced on us by the overall direction the Blair leadership is taking', they argued (Observer, 28 December 1997). Thus, there were limits to the extent to which the legitimisation of 'new' social democracy through the turn to Europe could succeed. Nevertheless, despite these early signs of internal disaffection, the EU-level continued to be a source of legitimisation for many of the adherents of 'new' Labour. For instance, the Labour Party Conference agreed the policy statement, *Moving Forward in Europe*, in the autumn of 1998 which decided to include in the 1999 EP election manifesto, amongst other things, the aim to develop the EU's economic and social system (Labour Party Conference Report, 1998).

Towards the end of 1998 the Labour Government came under attack from the Conservative Party and the more nationalist sections of the British media following calls for tax harmonisation across the EU by the newly incumbent German SPD Finance Minister, Oscar Lafontaine. Brown and Lafontaine had agreed to create an Anglo-German working group on economic reform at a

³⁵ Which, in effect, would ensure that they would not be re-elected as MEPs.

meeting on 19 November. However, Brown had been keen to avoid the appearance that this was a return to a more interventionist style by the UK government, highlighting his opposition to EU tax harmonisation (Guardian, 20 November 1998). Despite this caution, the decision by Lafontaine and French Finance Minister, Dominique Strauss-Kahn, to push for tax harmonisation in a Party of European Socialists (PES) plan, *An Important Role for Socialists and Social Democrats*, as an attempt to eliminate tax havens across Europe, resulted in Brown's guilt-by-association in the eyes of British Eurosceptics. The proposals caused great consternation amongst the more nationalist sections of the British political establishment and media, despite the fact that Gordon Brown made it clear that 'tax harmonisation is not the way forward for Europe' (Guardian, 24 November 1998). Amid accusations that Lafontaine was the 'most dangerous man in Europe', Brown was forced to announce that he would use the British veto to limit any moves towards European tax harmonisation (Observer, 29 November 1998). The experience of hostility to European integration reinforced the Labour Government's policy of limiting the further integration of public policy at the European level. Accordingly, initiatives to deepen European integration would only be supported if they were evidently in the British interest and would not jeopardise national sovereignty and national democracy. The limitations this placed on the development of EU-level social and economic policy therefore reinforced the Government's commitment to avoid over-bearing political intervention in the economy. Indeed, the Labour Party were keen to state in their December Monthly Review,

Britain's way forward for Europe is the promotion of employment, economic reforms and competitive markets, not tax harmonisation.

We are in favour of tax competition, and we are in favour of national government retaining control of taxation³⁶ (Labour Party Monthly Review, December 1998, emphasis added).

Thus, the limits to integration fused with the 'new' social democratic commitment to a reduced economic role for the state to maintain the increasingly paradoxical legitimisation of 'new' social democracy through the pursuit of market-correcting policies at the EU-level despite the significant obstacles to the implementation of such an agenda.

This was a position that the Labour Government would continue to promote throughout its period of office. Thus, on one hand the Government would appeal to more 'traditional' social democratic concerns through its promotion of coordinated activity at the European level. Whilst, on the other hand, the limits to the realisation of such an agenda were to be strictly limited to a 'new' social democratic agenda, in particular due to the limits to European integration, limits which the Government was keen both to maintain and to justify. Thus, in heralding the adoption by the PES of the 1999 EP manifesto, as drafted by a working group chaired by Robin Cook, the Labour Party stated,

³⁶ Although the Government did accept that there was a need for the EU member states to coordinate to avoid tax loopholes and discriminatory tax breaks, which were to be agreed upon by March 1999.

Job creation and growth are placed firmly at the top of the agenda, and the commitment to the concerns and interests of European citizens is also given prominence. ...

the Party of European Socialists highlights the promotion of opportunities for employment, especially for the young and long-term unemployed, and the need for closer economic co-ordination aimed at ensuring sustainable growth' (Labour Party Monthly Review, March 1999).

This agenda of cooperation at the European level therefore appealed to more traditional social democratic concerns with job creation. It was this appeal that explained the decision by John Monks, General Secretary of the TUC, to argue that the 'euro is the workers' best friend' as it could bolster the European model of capitalism against its erosion by the 'Anglo-Saxon model', particularly as it would reduce the burden placed on British exports by the over-valued pound (Observer, 9 May 1999). This pro-Euro position was adopted at the TUC conference in September later that year, when the TUC adopted the 'most outspokenly pro-single currency [position] of any major public body' (Guardian, 16 September 1999). The Labour Government aimed to consolidate the support arising from this agenda through the policies agreed at the Lisbon Summit of March 2000. Thus, following the adoption of the Lisbon Process, Blair announced victoriously to the House of Commons that,

The Lisbon European Council represents a turning point in Europe's approach to economic and social policy. With a sound macro-economic framework in place and the euro safely introduced, the concrete actions agreed at the Council should help to

deliver an increase in the European Union employment rate over the next 10 years, from an average of some 61 per cent today to something close to 70 per cent (Prime Minister's Statement to the House of Commons, 27 March 2000).

The Lisbon summit therefore provided the 'New' Labour Government with an ideal opportunity to illustrate the progressivism that could be achieved at the European level without threatening a return to 'traditional' social democratic policies. Further, the Labour Government was able to enter the 7 June 2001 General Election heralding the fact that 'economic reform is under way in the European Union, with over two million new jobs created last year' (Labour Party, 2001).

Nevertheless, statements regarding the economic and social potential of the EU-level and the Labour Party's constructive engagement with it (particularly in contrast to the ongoing divisions within the Conservative Party over the issue), were never far away from reassurances that the limits to European integration would be respected. Thus, in the same 2001 manifesto, the Labour Party promised that,

Together with virtually all other European countries we do not support a United States of Europe. But we do believe a Europe made up of nation states and offering a unique blend of inter-governmental co-operation where possible and integration where necessary, can be a major force for good (Labour Party, 2001).

Similarly, the manifesto also declared that a re-elected Labour Government would

'keep the veto on vital matters of national sovereignty, such as tax and border controls' (Labour Party, 2001). Having gained re-election in 2001, this was a theme that the Labour Government has maintained throughout its second period in office, thus in welcoming the Laeken Declaration establishing the European Convention to draft the Treaty establishing a European Constitution, the Prime Minister was keen to insist that the process would not deepen European integration beyond the limits currently in existence when he argued that, 'while it is right to co-operate ever more closely with our partners, democratic accountability is fundamentally and ultimately rooted in the Member State' (Prime Minister's statement to the House of Commons, 17 December 2001). Further, in setting out the Government's position on the draft Constitution, Peter Hain, the UK government's representative in the European Convention, stated that,

Where it's sensible to have decisions made in Brussels by elected ministers representing elected governments and therefore being answerable to their Parliaments and to the people, that vision of Europe is a Europe of nation states rather than some kind of super state is the one that we are pushing for and I think that we are going to win that argument' (Interview with Peter Hain, BBC On the Record, 27 October 2002).

With the EU-level both promoted as a means to implement necessary social and economic reforms at the same time as ruling out a more substantive drive for European integration, therefore, all that was left for the Labour Government to pursue at the European level was a continuation of the supply-side, market-confirming 'new' social democratic agenda at the European level. Thus,

in a Treasury paper setting out the government's agenda for economic reform in the EU, *Meeting the Challenge of Economic Reform in Europe*, Gordon Brown stated that,

we need a common understanding that in a world where businesses must respond quickly and people must adapt to change, flexibility in product, labour and capital markets is the means to achieve, not the enemy of, social justice. We should recognise that the right kind of flexibility in European product, labour and capital markets can advance both economic efficiency and social cohesion³⁷.

The following month the UK government was part of the coalition that blocked the adoption of the Temporary Workers Directive in the Council on the grounds that it would have an overly-restrictive effect on UK labour market flexibility. Finally, in outlining the UK's negotiating position on the draft Treaty establishing a Constitution for Europe, Foreign Secretary Jack Straw stated that he would refuse to support any plans for tax harmonisation and any plans to undermine national sovereignty, supporting only plans to simplify the EU and make its political machinery more effective. He sought 'a democratic Europe, anchored in the legitimacy of the nation states.' (Straw, 2003).

Nevertheless, the paradoxical legitimisation of 'new' social democracy continued to show signs of its problematic nature. Indeed, the inability to realise any kind of substantive market-correcting policies at the European level caused

³⁷ 'Meeting the Challenge of Economic Reform in Europe', Treasury Press Release 22/3:

http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2003/press_22_03.cfm

problems for this strategy of legitimating 'new' social democracy that manifested themselves in two specific ways. Firstly, the electorate and social democratic constituency became increasingly despondent towards both the European Union and the Labour Government in general. Thus, in the 2001 election, the electorate as a whole have been characterised as 'in Europe, not interested in Europe' (Geddes, 2002), as the policy outcomes emanating from the European level appeared to show decreasing amounts of interest to the electorate as a whole, a trend clearly evinced by a turnout of 23.1% in the UK for elections to the European Parliament in 1999. This despondency was also reflected in the overall fall in the level of turnout for the 2001 general election, falling by 12.3% to 59.2%, the lowest post-war turnout seen in a UK general election. Thus, whilst the European level was able to provide the Labour Party with a degree of internal party legitimacy due to the prospect it presented for promoting social reform at the supranational level, the extremely tight limits placed upon this agenda by the need to respect national sovereignty and the national interest, clearly acted to the detriment of popular enthusiasm towards, and support for, either the European Union or the Labour Party itself. Secondly, the problematic legitimisation of 'new' Labour at the European level also manifested itself in the form of growing criticism within the Labour Party towards the process of European integration, in particular witnessing a successful campaign by (amongst other groups) Labour for a Referendum, to secure the agreement by the Government to hold a referendum prior to the ratification of the Treaty on the Constitution of the European Union.

4. 5. Conclusion

This chapter has sought to illustrate the role played by the European Union in legitimating the transformation from ‘traditional’ to ‘new’ social democracy within the British Labour Party. Following the demise of national-level ‘traditional’ social democracy from 1976 onwards, the European level became the main institutional forum within which ‘traditional’ social democracy could conceivably be implemented. Once this was accepted by the Labour left it became possible to construct a cohesive political social democratic identity united around the opportunities available at the European-level. For the moderate right and the leadership of the Labour Party, the European-level represented a symbol of political-economic moderation and political pragmatism. For the Labour left, it represented the last opportunity for promoting ‘traditional’ social democratic goals given the limitations experienced at the national level. Once the European level had been accepted across the ideological spectrum of the Labour Party, and enabled a strategic unity to be achieved between the various social democratic elements, it became possible for the advocates of ‘new’ social democracy within the Labour Party to maintain the support of ‘traditional’ social democrats despite the rejection of ‘traditional’ social democratic aims and values. Once in office, attempts to realise more traditional goals at the European level were limited by the obstacles to positive policymaking at the European level, obstacles which the ‘new’ Labour Government itself contributed towards and utilised in its attempt to appear both moderate and progressive, and which have therefore led to the re-surfacing of problems in the ongoing legitimisation of British social democracy.

Chapter 5 – Legitimizing Social Democracy at the European level across Western Europe

The aim of this chapter is to illustrate the same processes identified in the preceding chapters, namely the legitimation of ‘new’ social democracy through the turn to the European level, this time in operation in four different national contexts – Sweden, France, Spain and Italy. In particular, it will again be shown how the failure of the ‘traditional’ social democratic strategy of promoting redistributive policies through institutions of representative democracy attached to the market economy resulted in the transition to a ‘new’ social democratic programme, and the concomitant legitimation of that programme through the (unrealisable) pursuit of more substantive social democratic initiatives at the European level.

5.1. Sweden

Sweden has often been portrayed as the ideal-typical example of actually-existing ‘traditional’ social democracy (cf. Esping-Andersen, 1990). The ‘Swedish model’ of ‘traditional’ social democracy was characterised by an attempt to implement egalitarian and redistributive policies within an economy open to international trade. The hegemonic Social Democratic Party (SAP) sought to manage the national economy and gradually redistribute power within Swedish society through the institutions of the Swedish nation state. In particular, the

'Swedish model' of 'traditional' social democracy can be understood as an attempt to increase the scope of the welfare state and combine growth, full employment and low levels of income inequality through a unique mode of labour market regulation, coordinated macroeconomic management and a proactive policy of training and support for the unemployed (see Vartiainen, 2001: 23-50). Through these policies it was believed that the social democratic government could achieve a redistributive wage policy, full employment and non-inflationary growth (Ryner, 2002: 82-4; on 'traditional' social democracy in Sweden and the post-war Swedish model see Lane, 1991; Olsen, 1992; Tilton, 1991; Lewin, 1988; Clement and Mahon, 1994).

The Swedish 'traditional' social democratic programme had its roots in the pre-World War II experience of the SAP, and, in particular, its experience of the depression years of the 1930s. Upon being elected to office in 1932, the SAP set about increasing spending on public works programmes, using ideas developed by young Swedish economists, Gunnar Myrdal, Erik Lindahl, and Bertil Ohlin, who each sought to challenge classical liberalism with the idea that public spending could stimulate the national economy out of recession. These state spending policies were complimented with attempts to secure a class-compromise with business, in particular, through the introduction of preferable tax rates for capital spent on investment, and by maintaining low, competitive exchange rates. In return for accepting these pro-business policies, labour was given four guarantees: that the state would be committed to economic growth and the redistribution of income; that full employment would be the primary goal of the state; that the LO (Swedish trades union confederation) would have autonomy in its wage

negotiations with the Swedish Employers Federation (SAF); and that business would not employ replacement workers or use lock-outs as a means to defeat labour in industrial conflicts. This agreement, reached in 1938, came to be known as the Saltsjöbaden Accords, and set the trend for the class compromise that would underpin the ascendancy of arguably the most successful manifestation of 'traditional' social democracy in the post-war period (Blyth, 2002: 104-15).

In the immediate post-war climate of full employment, expansionary welfare provisions³⁸, high growth and rising inflation, the LO began, in 1951, to propose what came to be known as the Rehn-Meidner model: a means to maintain growth and welfare expansion in an open economy without stimulating unsustainable inflation. The Rehn-Meidner model represented another plank (to compliment the Saltsjöbaden Accords) in the development of 'traditional' social democracy in Sweden. It contained four central elements. Firstly, fiscal policy would seek to keep profit rates down and thereby avoid inflation. Secondly, the adoption of the practice of centralised wage negotiation, in which the principle of equal pay for equal work would be stressed, aimed to create a redistribution of resources to the most productive firms whilst simultaneously creating a more egalitarian pay structure. Thirdly, an active labour market policy would be used to increase labour market flexibility and ensure that people moved to productive firms rather than remain unemployed (thus, in this respect, Swedish 'traditional' social democracy pre-empted 'new' social democracy by roughly forty years!).

³⁸ The total public expenditure as a percentage of GDP grew from around 25% in 1950 to over 60% in 1995, with a significant levelling off in this expansion occurring around 1980 (Vartiainen, 2001: 23-4).

Finally, the state would make public savings available for productive investment in order that restrictions on profit-making would not translate into lower levels of employment. The Rehn-Meidner plan was finally adopted as official policy by SAP Prime Minister, Tage Erlander, in 1955 (Ryner, 2002: 81-4). The final strand of the SAP's 'traditional' social democratic programme was the introduction in 1959 of an earnings-related pension (the ATP reform), which ensured that public pension provision would be both more egalitarian and more generous than that available through the private sector. The lasting achievement of this policy was to unite the interests of the working class with the salaried class through the provision of generous state pensions, thereby incorporating the salaried classes into a broad social democratic coalition (Esping-Andersen, 1985: 108-10).

'Traditional' social democracy in Sweden was therefore constructed around solidaristic wage agreements, fiscal redistribution through the expansion of universal welfare provisions, full employment, an active labour market and macroeconomic policy geared towards ensuring that economic growth, the expansion of welfare provisions and full employment each remained compatible with low levels of inflation. This model was relatively successful throughout the 1950s and 1960s, with an average annual real growth rate of 4 per cent between 1951 and 1970 (Olsson, 1987: 40). Unemployment remained between 1 and 2 per cent during this period (Ryner, 2002: 84) and social expenditure as a percentage of GDP grew from 11.3 per cent in 1950 to 25.9 per cent in 1970 (Olsson, 1987: 42). In particular, social spending focused on 'the expansion and centralization of work-related benefits', including pensions, health insurance and

unemployment insurance. Other areas where spending expanded included a universal child allowance, an expansion of social housing, and a big increase in the role of the welfare state as an employer (between 1965 and 1980 the public payroll doubled from 0.7 to 1.4 million employees) (Benner and Vad, 2000: 404-6). This record enabled the SAP to combine internal party legitimacy with government functionality and electoral success due to its ability to reconcile economic growth with redistribution, low levels of unemployment and the democratic management of Swedish society (Ryner, 2002: 79-98). During the same 'golden age' period the Swedish social democratic government chose not to participate in the formation of the European Community, preferring instead to join EFTA, due to Sweden's historical foreign policy commitment to neutrality. However, as a relatively small national economy producing goods for consumption on the international market, international trade was essential to Swedish economic growth, leading the Social Democratic Government to welcome an EFTA-EC free trade agreement reached in 1972 which removed tariff barriers to trade in all industrial goods between the two organisations. Having achieved stable growth and open access to European markets, without threatening Swedish foreign policy neutrality, the social democratic government had achieved what appeared to be an ideal compromise (Aylott, 1999: 46-55).

From the mid-1970s onwards, however, the Swedish model underwent what has been described as an 'organic crisis' (Ryner, 2002: 123-58). A series of wildcat strikes throughout Sweden in 1969 and 1970 signalled problems in the stability of the class compromise that had characterised the Swedish model. Workers in sectors not receiving large pay rises were becoming increasingly

unhappy with the centralised, solidaristic wage settlement. These strains on the class compromise were exacerbated by the economic crisis that struck Sweden in the 1970s. In particular, Swedish exports (which had been central to the success of the Swedish model up until the 1970s) began to lose their price competitiveness (Ryner, 2002: 126-32). This resulted in a wide range of economic problems for the 'Swedish model': the annual average real growth rate declined to 2 per cent during the 1970s; industrial production declined on average by 6.2 per cent annually between 1974 and 1982; the Swedish terms of trade deteriorated sharply, resulting in a foreign debt of 21 per cent of GDP by 1982 (compared to a net credit position of 5.3 per cent in 1974); and price inflation rose dramatically (Ryner, 2002: 233). In an attempt to resolve this double problem – rising social demands plus slow growth – the SAP government further increased public spending in areas where political demand was high: regional policy, labour market policy, gender equality, parental insurance, a day-care programme and an increase in replacement rates for health insurance. Thus, social expenditure continued to grow throughout the 1970s, with social expenditure increasing from around 20% of GDP in 1967 to 30% in the late 1970s. The Government also implemented a number of institutional reforms. Firstly, improvements were made in the area of workers' rights (including health and safety, and protection against unfair dismissal), especially with the introduction of co-determination (which received a particularly hostile reception from the SAF). Secondly, the EFO model, whereby wages would be agreed between representatives of employers and employees according to the market price in the competitive export-oriented or import-competing sector, and applied to the labour market as a whole, was

introduced. Thirdly, a state industrial policy that would use national savings (derived from such funds as the national pension's fund) was set up to invest in industry. And, finally, the LO proposed a wage-earner funds, whereby a proportion of pre-tax profits would be invested on behalf of the workers in a particular enterprise, thereby creating the gradual socialisation of the firm (although the controversy surrounding the wage-earner fund proposal meant that it was never implemented) (Ryner, 2002: 132-44; on the fortunes of these reforms, see Pontusson, 1992). SAF opposition to the wage-earner funds sparked further opposition to the terms of the social democratic settlement, this time from business, which increasingly came to view the policy aspirations of the social democratic movement as too much of an encumbrance upon their economic activity. In particular, firms in the engineering sector ceased to cooperate with collective wage bargaining and sought to internationalise production in order that wage rises could be avoided. Further, the escalating crisis resulted in the electoral defeat of the SAP government in the 1976 general election, and their replacement by a bourgeois coalition of Moderates, the Liberal Party and the Centre Party. The SAP responded to this 'organic crisis' with an initial attempt to further radicalise its policy programme (see Pontusson, 1992 for a discussion of these initiatives), followed by a significant moderation of policy after the loss of the 1979 general election.

However, the bourgeois coalition government itself failed to respond to the growing economic crisis by cutting back on welfare expansion, and in fact during this period, 'on the whole the [welfare] system was expanded rather than retrenched' (Benner and Vad, 2000: 418). Thus, when the SAP returned to office

in 1982 it was faced with a number of unresolved problems, including relatively high unemployment, an uncompetitive export industry, lack of investment, a structural budget deficit, and rapidly increasing foreign debt (Benner and Vad, 2000: 420; Ryner, 2002: 148). Furthermore, employers increasingly sought to opt-out of the peak-level wage negotiations that had characterised the Rehn-Meidner model (Pontusson, 1992). In order to achieve greater competitiveness of the Swedish economy the social democratic government sought to implement a 20 per cent devaluation, combined with restrictive fiscal and monetary policy, the aim being to restore the competitiveness of Swedish goods on the international market, thereby hoping to avoid the need to further dismantle the institutions which had come to characterise the Swedish model (such as the universal welfare state and coordinated wage determination) (Arter, 2003: 89). The SAP government extended this strategy when in 1985 it introduced a major deregulation of capital and foreign exchange markets, combined with a new commitment to only fund the government deficit through borrowing on the domestic market (Svensson, 2002). The implications of these strategies were that the Swedish interest rate would have to rise in order for the currency to be both sustainable on the international market and able to support the government deficit. The aim was to place market pressures upon the Swedish model in order that it would become more internationally competitive, thereby increasing growth and reducing government debt, inflation and currency instability. The use of market mechanisms as a means to correct market failure, rather than 'traditional' social democratic attempts to manage or regulate the market (for instance, through counter-cyclical public spending or fiscal

redistribution), represented another significant step in the transition from 'traditional' to 'new' social democracy in Sweden. However, the problem of wage determination and inflation remained. In particular, the increased marketisation of the Swedish economy created pressures upon the solidaristic wage policy that could not be resolved. The more profitable and competitive companies were able to pay more than the standardised national wage, which itself prompted pressure within the less competitive sectors for wages to rise above levels of productivity. This, combined with the employers' increasing reluctance to cooperate with the institutions of centralised wage negotiation, created increased inflationary pressures within the Swedish economy. These problems were complimented by a still growing deficit (resulting in part from the effect of growing unemployment), a growing credit bubble of speculation resulting from financial deregulation (which eventually burst in 1991), and productivity growth lower than the OECD average (Ryner, 2002: 148-52; Benner and Vad, 2000: 420).

As the Swedish model went into further decline throughout the second half of the 1980s critics of the model increasingly came to view EC membership as a possible solution to Sweden's continuing economic problems (Kite, 1996: 186-8; Bieler, 2000: 70-4; Ryner, 2002: 152-3). The creation of the Single European Act (SEA) in 1985 prompted fears for Swedish exporters as the 1972 EFTA-EC free trade agreement did not cover non-industrial goods or non-tariff barriers to trade, and therefore the removal of non-tariff barriers by the SEA represented the potential maintenance of barriers to Swedish trade with the EC states (which had quintupled between 1972 and 1986) (Aylott, 1999: 55-62). EC membership was also becoming an increasingly feasible option as the end of the Cold War had

removed the importance of Swedish neutrality for many within the labour movement (Kite, 1996: 181-9, 205-6).

Throughout 1990, inflation and government debt continued to rise to dangerous levels, creating pressure on the stock exchange and leading major financial companies to suspend dividend payments. In turn, financial markets began to exert overwhelming downward pressure on the krona. The government responded with a policy of business- and investment-friendly tax cuts, attempts to tackle absenteeism at work, and agreeing an austerity fiscal package in April 1990 (Arter, 2003: 90; Benner and Vad, 2000: 426). However, these policies failed to resolve the crisis and so the government proposed another (ill-received) emergency package on 2 October and an increase by 5% in short-term interest rates on 12 and 18 October. However, these measures still failed to appease the financial markets. On 26 October the government announced a more substantial package of public spending cuts, amounting to a reduction in public spending of 1.5%. These austerity measures were accompanied by the announcement that full employment would be replaced by price stability as the government's key macroeconomic policy aim (Ryner, 2002: 153). This was an important and symbolic step by the SAP, as full employment had until then been an essential part of its 'traditional' social democratic programme. This statement therefore represented a symbolic break with one of the core aspects of 'traditional' social democracy in Sweden, and with the Swedish social democratic model. The statement was accompanied by the announcement that Sweden would be applying for membership of the European Community. The EC application was viewed by the leadership as a way to reassure the financial markets that its commitment to

economic restructuring and monetary stability were genuine (Bieler, 2000: 83). Indeed, 'the key instrument for reducing inflation was to peg the krona to the ECU, and to apply for Swedish membership in the European Union' (Benner and Vad, 2000: 427). The EC application therefore also took on an important role in the transition from 'traditional' to 'new' social democracy within Sweden. Whilst this decision to apply for membership of Europe prompted division within the party, it was presented as a *fait accompli* by the leadership, leaving little room for the expression of internal party dissent (Aylott, 1999: 126; 171-2). Having overseen a period of prolonged economic turmoil, the SAP was again defeated by the bourgeois coalition in the general election of 1991. The new Government oversaw a period of heavy recession (negative growth in GDP between 1991 and 1993), high unemployment (rising from 2.1% in 1990 to 12.5% in 1993), and (as a result) a steep rise in the size of the government deficit (reaching 14% - the highest of all the OECD countries at the time - in 1993); all of which were unsuccessfully tackled through cuts in social expenditure, tax increases, and the floating of the krona in late 1992 (Lindblom, 2001: 171; Benner and Vad, 2000: 427).

On its re-election to office in September 1994, the social democratic government was faced with two challenges: to resolve the economic crisis (in particular, the rise in unemployment and escalating budget deficit) and the need to adopt a position on the referendum on EU accession (due to take place just two months later). It is the claim of the present thesis that programmatic renewal within social democratic parties was accompanied by an articulation of pro-Europeanism in order that the latter may be portrayed as an opportunity for

social democrats to promote their traditional values, and thereby retain a degree of social democratic unity, despite the necessity of moderating their political programme. This process was clearly visible during the mid 1990s, when the SAP was forced to seek a retrenchment of the Swedish model. Indeed, in summing up the position of the SAP 'yes' group, Bieler claims that 'the transnationalisation of capital and markets and the concomitant erosion of national sovereignty over economic policy were accepted as facts. Membership of the EU would allow European social democracy to recover some power *vis-à-vis* capital via co-operation at the international level' (Bieler, 2000: 111). The 'no' group that formed within the SAP in support of a no-vote in the referendum on EU accession refused to accept these arguments and believed, instead, that the competition and fiscal rectitude created by the single market and Maastricht convergence criteria would undermine the Swedish economic model and institutionalise high unemployment and constitute a threat to the Swedish welfare system (Bieler, 2000: 112). On the other hand, Social Democrats For the EC (which, as the name states, supported a yes-vote in the forthcoming referendum) sought to show that 'traditional' social democratic aims could no longer be upheld in the new internationalised economy and that membership of the EC would help to rectify this new structural weakness of national-level social democracy. For instance, in June 1994 Prime Minister Carlsson claimed, "We must show that issues like social-security, unemployment and the environment will be better solved if we are in the EU than if we stand outside" (*Veckans Affärer*, 13 June 1994, quoted in Aylott, 1999: 138). This set the tone for the campaign by the social democratic 'yes' group. A week before the referendum, Carlsson, and

party secretary, Mona Sahlin, argued that “those who trust us and want to give us the best means to take Sweden out of the crisis and halt the dismantling of welfare – should vote Yes to the EU” (quoted in Aylott, 1999: 154). Similarly, in a debate on the party’s ideological direction, one pro-accession participant summed up the sentiments of many on the pro side when she claimed,

A state like Sweden is formally sovereign, but today this sovereignty is in practice redundant... [M]odern society’s development has upset the symmetry between influencers and the influenced, between those who take decisions and those affected. This relationship no longer applies within the border of the nation state. The borders between domestic and foreign policy have, quite simply, been rubbed out.

Thus, I see the EU as an attempt to create a new symmetry – a new order for decision-making in cross-border social questions (quoted in Aylott, 1999: 79).

Following the ‘yes’ campaign led by the SAP leadership, the referendum witnessed a large turnaround within the Swedish labour movement, with 46% of SAP voters supporting membership³⁹ and 52.2% of the total voting population backing the Swedish accession (Aylott, 1999: 153).

Upon joining the EU, Sweden was also forced to decide upon whether or not it would also join the single European currency. The issue had not received much attention during the debate on the referendum, in part due to the desire by the pro-membership political elite to play down the implications it had for budget

³⁹ This compares with predictions of 15.7% in 1993, 18.7% in May 1994 and 38.6% just two months earlier in an exit poll for the general election (Aylott, 1999: 153).

spending and economic autonomy. However, the single currency had been interpreted within the EU as being automatically applicable to new members, thus the SAP government needed to decide whether they would accept this position or seek to resist membership. During 1996 and early 1997 the labour movement seemed destined for yet another split on the issue. The outgoing leader of the SAP, Ingvar Carlsson, argued in September 1995 that increased factor mobility across the EU undermined the possibility of autonomous national economic policymaking and so Sweden should join the Euro and seek the creation of a European 'employment union' managed by EU-level counter-cyclical fiscal measures. However, the incoming leader, Göran Persson, argued that membership of the Euro contained an implicit tendency towards fiscal federalism which would be antithetical to Swedish nationalism and should therefore be rejected (at least in the immediate term) (Aylott, 1999).

Traditionalists within the SAP rejected EMU on slightly different grounds, arguing that as the means for an EU-level macroeconomic policy did not exist, so Sweden should not join the Euro as it would undermine democratic control over the Swedish economy. The LO was split along similar lines to the ones it divided over during the referendum campaign, with unions from exporting firms supporting entry to the single currency on the grounds that it would be beneficial for their trade, and unions from domestic firms resisting membership on the basis that it would undermine public spending and their national markets. In early 1997 the unity of the government appeared in doubt as cabinet members divided over their position on whether Sweden should join the Euro when it was created in 1999. Eventually it was the pressures of parliamentary politics that decided the

matter. Parliamentary support for the SAP Government relied upon an agreement with the Centre Party, which since 1995 had adopted a Euro-sceptical position and had made a referendum prior to Swedish membership of the single currency a condition of the agreement. The SAP leadership's reluctance to face another referendum thus resulted in its decision on 3 June 1997 to adopt a position of "No for Now", opting to wait and see how the Euro fared before deciding whether to join or not (Aylott, 1999: 157-78).

With regard to the budget deficit facing the incoming SAP government in 1994, a number of austerity measures were implemented in an attempt to bring the budget into balance. For instance, the 1994-8 period witnessed the SAP government attempt to limit entitlements to social welfare provisions for the unemployed, sick and elderly (although many of these were not implemented due to opposition within the SAP and LO) and a new pensions system that shifted the emphasis from the provision of a national minimum income to the provision of pensions based more on individual contributions. Between 1995 and 1998, public expenditure as a percentage of GDP was cut from 67.3% to 62.4% and social expenditure as a percentage of GDP fell from 35.2% to 33.3% (Gould, 2001: 45-51; see also Anderson, 2001). Despite deciding not to join the Euro on its inauguration, these measures were often viewed as an explicit attempt to prepare the krona for membership should it be necessary, as well as being an important element in the stabilisation of the Swedish economy (Gould, 2000). Whilst these austerity cuts were being made, the dissolution of the institutions of centralised wage negotiations was progressing and continued to be replaced by a decentralised system of wage determination (Iversen, 1996). Thus, whereas

wage differentials were in decline during the 1960s, and in rather sharp decline during the 1970s, between 1983 and 1993 the success of (particularly) employers' attempts to dismantle centralised and solidaristic wage negotiations resulted in a considerable increase in wage differentials (Vartiainen, 2001: 33). Finally, attempts to reduce the size of the budget deficit also included the partial-privatisation of state-owned companies, some tax increases on higher income groups and cuts to public sector employment (Arter, 2003: 91; Benner and Vad, 2000: 428, 433).

Whilst the SAP were implementing a range of 'new' social democratic reforms to the Swedish model at the national level, it also sought to promote 'progressive' intervention in the European economy through the institutions of the European Union (Johansson and Raunio, 2001: 241). For instance, Sweden was instrumental in proposing the new Employment Chapter in the Amsterdam Treaty (Gould, 2000; Johansson, 1999) and the ex-SAP finance minister, Alan Larsson, was responsible for promoting an agenda of investment and reflation at the European level, both through his role in drafting a report adopted by the transnational Party of European Socialists and by his subsequent role as Director General of DG Employment and Social Affairs (Ladrech, 1998). However, disaffection with the austerity measures implemented by the SAP government was reflected in the results of the 1998 general election. Angry SAP voters 'flocked' to the Euro-sceptic Left Party, with the SAP losing 9% (falling to 36%) of its 1994 vote and the Left Party gaining 6% (rising to 12%) (Möller, 1999: 261-2). Despite this setback, the SAP was able to form a minority government, with the support of the Greens and the Left Party.

Following the reductions in public expenditure which occurred throughout the 1990s, the Swedish economy began to revive towards the end of the decade. The deficit turned into a surplus in 1998 (Benner and Vad, 2000: 421), between 1999 and 2002 its economy grew by nearly 4% a year, and unemployment began to fall⁴⁰. Further, as a result of the poor electoral performance of the SAP in the 1998 elections, the Party sought to strengthen its social democratic identity through the promise of 'new' social democratic intervention at both the national and European levels. Thus, in a statement on Development and Equality adopted by the SAP Extra Party Congress in March 2000, the Party agreed that,

Membership of the EU has created new opportunities to meet the challenge of globalisation. Membership provides us with a real possibility in co-operation with other countries to create a democratic counterbalance to the unbridled speculation against the currencies of individual countries

The EU provides the means to combat unemployment in Europe. The number of unemployed in Europe is falling but nevertheless it remains unacceptably high. The struggle against unemployment remains the most important social task facing the EU. We want to develop an active labour market policy for the whole of Europe with the help of clearly defined goals. Flexibility – the precondition for people to meet new challenges and demands – must be reinforced by means of increased opportunities for education and higher skills in every region (SAP, 2000).

⁴⁰ *The Economist*, 14 September 2002.

Further, in the campaign for the September 2002 general election, the SAP focused on the importance of maintaining universalism as the principle guiding welfare policy (a key element of the Swedish model), claiming 'welfare policies must cover everyone, must be financed in the spirit of solidarity via taxation and be distributed according to the people's needs not on the basis of how fat their wallets are' (SAP, 2002). The campaign also promised to improve provisions in health care, schools and pensions. However, within the same campaign the SAP also made clear its transition to 'new' social democracy, in particular by seeking a halving of the number of days workers take off on sick leave (Persson, 2002) and maintaining the importance of the liberalising reforms that had been made to the Swedish model:

Sweden will continue to enjoy strong growth, low levels of unemployment and healthy finances. This entails that public finances must maintain a surplus running equivalent to 2% of the GNP a year, calculated as an average over the business cycle. The ceiling on public expenditure will be maintained. The tax system must be robust and provide incentives to work and to invest. We will continue to improve conditions primarily for wage earners and small business (SAP, 2002).

Sweden's improved economic performance, combined with an enhanced emphasis on 'new' social democratic measures at the national and European levels, resulted in the SAP's re-election to government on 15 September 2002, this time with an increase in its vote to nearly 40%.

On his re-election to office, Prime Minister Göran Persson announced that a date would be set for a forthcoming referendum on Swedish membership of the Euro. The old divisions within the SAP again emerged, with the 'new' social democratic leadership attempting to portray European integration as a means to protect and further social democratic interests, and the more 'traditional' wing of the party resisting what they feared was an attempt to further undermine Sweden's national democracy and welfare system. Thus, in (unsuccessfully) campaigning for a yes vote in the 2003 Euro referendum, the SAP's Party Board argued that,

well functioning monetary co-operation provides a democratic counter-balance to the growing global market forces. This counterbalance provides room for small countries to pursue an active economic policy. In the interests of furthering welfare and employment we Social Democrats wish to see Sweden becoming a member of the economic and monetary union (quoted in Miller, Taylor and Potton, 2003: 21).

The eventual defeat of the 'yes' lobby, by a margin of 56.1% to 41.8%, represented a victory for traditional social democrats within the SAP, although the implications it held for the Swedish model remain unclear, with concerns over the neo-liberalisation of the SAP, the absence of policy opportunities for the SAP given the liberalisation and internationalisation of the Swedish economy, the concentration of power in the hands of big business that this process has created (Ryner, 2002: 156-7), the likelihood of further means-testing and erosion of the universalist model (Anderson, 2001; Cox, 2004), and the effects this will have on the electoral prospects of the party (Arter, 2003). Thus, whilst many observers

claim that globalisation has had only a limited impact upon the Swedish social democratic model (Svensson, 2002; Steinmo, 2002; Benner, 2003), pointing in particular to the continued generosity and universalism of the Swedish welfare state, which still exceeds most other welfare states (Lindbom, 2001); other commentators have pointed out the qualitative liberalisation of the Swedish model and the SAP's central role in implementing this liberalisation (Clayton and Pontusson, 1998; Arter, 2003). Despite the difficulties in resolving this dispute (cf. Cox, 2004), the preceding discussion illustrates the way in which SAP aims, ideas, policies and outcomes have witnessed a gradual transition from predominantly 'traditional' social democratic practices of state management and intervention in the economy, corporatist wage negotiations, and welfare expansion during the 'golden age' to an emphasis upon 'new' social democratic policies seeking a diminished role for the state, a reduction in state-funded universal welfare provisions, and a liberalisation and flexibilisation of the Swedish economy (especially during periods of economic crisis throughout the 1980s and 1990s).

In sum, we can see from the foregoing discussion that the 'traditional' social democratic model was successful during the 'golden age' in Sweden. However, once productivity and growth began to decline and Swedish commodities ceased to be internationally competitive, the model experienced serious problems connected to the inability to reconcile the market economy's need for growth with the constraints that the Swedish model placed on economic freedom. In an attempt to resolve these problems, the SAP introduced market-based reforms throughout the 1980s. However, these market pressures

added to the problems of the Swedish model, and in 1990 a clear break with 'traditional' social democracy can be discerned, with the SAP announcing spending cuts, the end of the commitment to full employment, and the Swedish application for membership of the European Union. It was only through the spending cuts and deregulation of the 1990s, a policy both granted credibility and (for some) social democrats sweetened by membership of the EU, that the Swedish economy was able again to achieve competitiveness. However, the impact this has had on the popularity of the SAP, and the popularity of the European Union given the absence of significant social democratic achievements at the EU-level, both remain in doubt.

5.2. France

The French socialists (SFIO until 1969; PS since 1969) have historically held ambiguous positions on European integration. For most of the *Trente glorieuses* period elements within the party took a Euro-sceptic stance due to the fear that European integration represented a covert form of US imperialism, that the economic model espoused by the Treaty of Rome was inherently liberal and that the single currency was an undemocratic means to impose austerity measures upon French society. At the same time, however, other French socialists viewed European integration as a form of progressive internationalism, a vehicle for pan-European socialist cooperation and/or a potential bulwark against US global

economic dominance⁴¹. This section seeks to trace the historical relationship between French social democracy and European integration, indicating the operation of the three processes highlighted at the beginning of the chapter.

The French Left split in 1947 between the pro-system *Section Française de l'Internationale Ouvrière* (SFIO) and the anti-system PCF (French Communist Party). Whilst the SFIO accepted Marshall Aid, European cooperation and NATO, the PCF opposed each of these initiatives on the grounds that they were forms of US imperialism and represented hostility towards the Soviet bloc. These fears were also present amongst certain sections of the socialist left. Thus, whilst the SFIO supported the Treaty of Paris in the National Assembly and the party Congress voted to support the European Defence Community (EDC), fifty four SFIO deputies voted against the EDC in the National Assembly, thereby contributing to its demise. In 1956 Guy Mollet, leader of the SFIO, formed the French government which conducted most of the negotiations for the Treaty of Rome. Further, during De Gaulle's rule over France from 1958 to 1969 the SFIO consistently accused the President of reactionary nationalism, seeking to portray themselves as the progressive Europeanist party most able to represent France's national interests (Featherstone, 1988: 111-8). In May 1969 the *Parti Socialiste* (PS) was formed by Alain Savary out of a loose collection of leftist factions and groups in an attempt to organise the left in a form that would stand a chance of electing a president under the 5th Republic's constitution (which grants

⁴¹ For general overviews of the historical relationship between the French socialists and European integration see Featherstone (1988: 107-39), Cole (1996), Ross (1998a and b), Drake (1995), Guyomarch, Machin and Richie (1998), and Loch (1993).

disproportionate power to larger parties or coalitions due to the benefits of being able to field a viable presidential candidate). Francois Mitterrand joined the new Parti in 1972, with the hope that he could pursue a more conciliatory, consensual and coalition-building approach across the political left in order to electorally defeat the right. In accordance with this strategy he sought cooperation with the PCF (Featherstone, 1988: 119). In 1972 the PS and the PCF signed a 'Common Programme of Left Government' which committed a PS-PCF government to a radical break with capitalism through nationalisations, a redistribution of power in the workplace, planning and Keynesian reflation. The PCF opposed the EC on the grounds that it was an organisation created to strengthen capitalism and, despite the fact that Mitterrand had been a consistent supporter of European integration, the 1972 programme also implicitly opposed the process of European integration. The implementation of its proposals implied at least a halt in the forward progress of European integration if not the abandonment of the progress made thus far. Thus, 'social democracy in one country' assumed an element of national protectionism and isolation that was antithetical to the current stage of European integration reached at that time (Ross, 1998a: 5).

Following Mitterrand's election to the French Presidency in May 1981 (and the subsequent victory of the PS in the National Assembly elections of the same year) the PS-PCF government set about implementing its manifesto commitments based on the 1972 programme. The French economy was subjected to an extensive programme of nationalisation (including twelve leading industrial conglomerates and 38 banks), a *dirigiste* industrial policy, planning, industrial relations legislation that favoured the trade unions, redistributive

reforms of social programmes and Keynesian economic stimulation, including public sector job creation and a large boost to subsidies granted to public enterprises. Seeking to stimulate a French economic recovery, the socialist government increased the minimum wage by 15% in real terms and social transfers (including pensions and family allowances) by over 12%. Thus, the PS' strategy was a 'traditional' social democratic one, whereby national economic growth would be achieved through measures that would also secure redistribution of resources to its working class constituents (Levy, 2000: 321-2). However, Mitterrand's experiment quickly began to run into trouble. In particular, as the French government sought to expand the French economy, its international trading partners were simultaneously seeking to slow down their national economies in an attempt to avoid inflation. The result was a surge in France's budget and trade deficits – the budget deficit rose from 0.4% of GDP in 1981 to 3% in 1982 and the trade deficit rose from 56bn francs to 93bn francs in the same period (Levy, 2000: 322). The problems facing the French economy also created serious downward pressure on the exchange rate of the franc and upward pressure on inflation. Thus, in autumn 1981 the franc was devalued in an attempt to tackle rising inflation and in spring 1982 wages were de-indexed from prices. The economy continued to decline, with inflation adding to the downward pressure on the franc. Mitterrand was faced with the choice of maintaining his policy of national interventionist reflation, which would inevitably force the franc out of the EMS, or adapting economic policy in order that the franc could remain within the EMS. The government chose the latter option and proceeded to implement the infamous Mitterrand U-turn, shifting from 'socialism in one

country' to membership of EMS and the *franc fort* (Ross: 1998a: 6-7; see also Hall, 1986, 1990).

The *franc fort* was a policy commitment, maintained throughout the 1980s and into the 1990s, to deflationary growth, whereby inflation was avoided through a tight monetary policy, itself limited by the informal anchoring of the franc to the Deutschmark (Lordon, 2001). By restricting inflation, the French government sought to enhance the international competitiveness of its commodities through 'competitive disinflation', in other words, by running a lower rate of inflation than its trading partners and thereby ensuring that French commodities could be sold at a lower price. This turn to a policy of 'competitive disinflation' and membership of the EMS was a hugely significant U-turn, marking the end of 'traditional' social democracy in France and perceived internationally as a symbol of 'traditional' social democracy's unfeasibility. Thus, in 1983,

redistributive Keynesianism gave way to austerity budgets, wage indexation was abandoned, and most important, monetary policy was tightened, with real interest rates ranging from 5 percent to 8 percent for over a decade. These measures reduced French inflation from 9.6 percent in 1983 to 2.7 percent in 1986, but at the price of several years of growth below 2 percent and an increase in unemployment from 8.3 percent to 10.4 percent (Levy, 2000: 324).

The 1983 U-turn also resulted in an end to the policy of nationalisation and a subsequent reversal of French state assistance for ailing public enterprises. This was combined with a marked reduction in assistance for private enterprises and a

deregulation of financial market, price controls, capital controls, and restriction upon worker layoffs, all of which helped to boost corporate profitability from 9.8 percent of value added in 1982 to 17.3% in 1989 (Levy, 2000: 325).

The decision to remain in the EMS, and to seek the necessary restructuring of the French economy that it required, was accompanied by an explicit increase in Mitterrand's enthusiasm for European integration, 'the endgame of which would [according to Mitterrand's vision], eventually, involve the recovery of Keynesian economic sovereignty at the supranational level' (Clift, 2003b: 181). France held the EC's Council Presidency in the first half of 1984, which Mitterrand used to support the European Parliament's Draft Treaty of the European Union. He also helped to negotiate a resolution to the British budgetary question at the Fontainebleau summit and set up the Dooge Committee in an attempt to further European integration. Throughout the 1980s the French government continued with its *franc fort* policy, as part of which European integration came to be viewed as necessary across the PS political spectrum. By the time of the March 1986 general election even CERES (a left wing, Marxist-oriented group within the PS that had been opposed to a capitalist and Atlanticist EEC since 1979) could support integration (Featherstone, 1988: 132). Meanwhile, French Socialist and President of the European Commission, Jacques Delors, continued to seek further integration, promoting first the single market, then the single currency along with proposals for a 'social' Europe, which included the Social Chapter, large increases in the structural funds and attempts to improve the representation of the 'social partners' (Ross, 1995).

By 1988, Mitterrand had considerably distanced himself from the PS,

placing much more emphasis on himself as the French, rather than socialist, candidate for the 1988 presidential elections, a strategy which extended to his European policy. Mitterrand and Jacques Delors had together negotiated France's position on the single currency, keeping it as a peripheral issue for domestic French politics. However, in a move that seriously backfired, Mitterrand decided that a referendum on the ratification of the Maastricht Treaty might open up division within the centre-right opposition. In fact, it also exposed the PS to criticism from the left, with the Communists highlighting the connection between French austerity measures and the terms of the Treaty. The 'petit oui', 51% vote in support of ratification, signalled a lack of confidence in Mitterrand, and was followed by electoral defeat in the 1993 general election by the centre-right RPR, thereby electing Edouard Balladur as Prime Minister. The 1995 presidential elections saw a similar result, with Jacques Chirac standing (and winning) on a platform that promised job creation, an end to public spending cuts and offering a vague commitment to EMU (Ross, 1998a: 12-8). However, having promised to end public spending cuts, the centre-right government, under the Prime Ministerial leadership of Alain Juppé, proceeded in October 1995 to implement reforms to the social security system that would add 0.5% to income tax for the next 13 years and eliminate certain privileges relating to the provision of civil servants' pension. The reforms were presented as necessary to achieve fiscal balance, a condition of membership of the Euro. The resulting strikes and riots lasted five weeks and Juppé became one of the most unpopular Prime Ministers to serve in the Fifth Republic. In an attempt to avoid losing the 1998 general election, Chirac called a snap election in April 1997. The PS candidate,

Lionel Jospin, stood on a platform advocating a softening of the austere fiscal policies associated with EMU, promising 700,000 new jobs, to reduce the working week to 35 hours, and to end the programme of privatisation. On Europe, the PS stated,

We want a political and not a technical vision for Europe. We want a dynamic approach to Europe, not one of accounting... For Socialists, making the Euro succeed involves building a Europe which is turned towards growth, employment and democracy (PS election manifesto, 1997, quoted in Ross, 1998b: 22).

Thus, the PS was able to utilise the EU-level as an institutional means to supplement its attempt to democratise, regulate and manage French society, despite the limits to such initiatives that the PS had experienced at first hand during its first spell in office. On the basis of this programme, the PS secured the largest share of the votes in the 1997 election, and as a result formed a coalition government with the PCF, Greens, Citizens' Movement and Radical Party, which came to be known as the *gauche plurielle* (Bouvet and Michel, 1999; Pennetier, 1997).

In seeking to give substance to its election campaign commitments, the newly elected Prime Minister, Lionel Jospin, attended the Amsterdam IGC seeking to get some kind of enhancement to European-level social policy (Clift, 2002: 486-8). Whilst unable to change the terms of the convergence criteria or the Growth and Stability Pact (GSP), the French government was able to secure extra commitment to European employment, with the new Employment Chapter

inserted at the last minute (with the support of Belgium, Austria, Denmark, Sweden and the UK). Jospin also advocated a European economic government to provide democratic input into the technocratic European Central Bank and a more substantial European social policy to offset the effects of the fiscal constraints implicit in the Convergence Criteria and GSP, although none of these aims were realised in terms of concrete policy outcomes (Howarth, 2002: 160-71). At the same time, in order to meet the convergence criteria necessary for France to join the single currency, Jospin needed to cut net public expenditure to a level where the annual government deficit would be 3% whilst also seeking to make these austerity measures palatable to his leftist constituents. Thus, two thirds of the deficit reduction was to come from raising taxes, particularly on business (including a 5% temporary increase in corporate tax). The remainder of the deficit reduction was to be afforded from cuts in public expenditure, particularly on defence expenditure, the introduction of, first, means-testing of family allowances and then a more redistributive means of funding, and a number of privatisations. The result was a successful reduction in the government deficit, from 4.2% in 1996 to 2.9% in 1998 (Ross, 1998b: 23-9; Levy, 2000: 340-2).

Other attempts to bolster the PS's social democratic constituency focused particularly around three policy schemes: the *couverture maladie universelle*, a means-tested scheme to make health care available to low income groups; the *Programme Emploi Jeunes*, a system of state subsidies for young unemployed people to gain work experience within public and non-profit organisations; and the 35 hour week, an attempt to reduce the total length of the working week and make working practices more flexible, in order to boost overall employment rates

amongst the population, combined with state subsidies and legislation to ensure that wages did not fall as a result. In each case, however, the costs of each scheme were partially met through cost-cutting in pre-existing schemes in the same areas. Thus, the implementation of redistributive policies rarely extended the overall scope and scale of already existing national public policy (Levy, 2000: 339-40). Jospin also consistently emphasised the role played by Europe in re-asserting a coherent and viable social democratic agenda, to the extent that 'each reinforcement of economic policy coordination at the European level, including the Cologne Macroeconomic Dialogue, was seized on by the Jospin government as a victory of the French perspective', despite the actual agreements reached relating to price stability rather than the stimulation of economic growth (Howarth, 2002: 168). Thus, Europe was increasingly utilised by the French Parti Socialiste as a vehicle through which to pursue social democratic initiatives and thereby retain legitimacy as a social democratic party, despite accepting the limits to social democracy at the national level and failing to agree on substantive social democratic policies at the EU-level. Indeed, by the late 1990s and early 2000s, its enthusiasm towards European integration had come to represent a central pillar in the PS's as a symbol of the party's social democratic credentials.

This attempt to portray the EU as a means to social democratise France's new economic model was clearly elaborated in a series of speeches by Jospin in 2001, published collectively (in English) as *My vision of Europe and Globalization* (Jospin, 2002). Here Jospin clearly makes the 'new' social democratic argument, that social democratic regulation can be most feasibly achieved through initiatives implemented at the EU-level, arguing that 'the need

for a social Europe manifests itself today through the demand for more European control, to counter the integration of markets' (Jospin, 2002: 37). Jospin went on to claim, 'my objective for Europe is actively to promote and expand the European social model' (Jospin, 2002: 36), an agenda that his government has been considerably keen to promote.

For the last four years the French government has fought to give a new direction to the construction of Europe, focusing it more on growth and employment. Major strides were made with the adoption of the European Social Agenda. These goals must produce concrete results for all categories of workers. Working conditions must be harmonized upwards. We must reduce job insecurity and fight discrimination. Let us set the stage for a social dialogue with the trade unions at European level. A genuine body of social law, establishing ambitious common standards, must be put in place and there must be a special focus on the provision of information to employees and their involvement in the life of companies, as well as on layoffs, the struggle against job insecurity and wage policies. We must aim for a European *social treaty* (Jospin, 2002: 17-8).

Jospin was therefore fully aware of the need for the PS to meet the challenge of globalisation and sought to portray his social democratic party and government as the ideal agent through which to pursue re-regulation within the institutions of the EU, despite at the same time introducing a number of EU-induced and EU-legitimated spending cuts at the national level, combined with the inability of

the French government to successfully implement more substantive social democratic aims at the EU-level.

5.3. Spain

After Franco died on 25 November 1975 and Spain moved slowly towards becoming a liberal democratic polity⁴² the Partido Socialista Obrero Español (PSOE, or Spanish Socialist Workers Party) emerged as one of the major parties in the new Spain, and the major party of the democratic Left. In the 1977 elections the PSOE gained 118 seats in the Congress, making it second only to the UCD (which gained 165 seats). In the next elections in 1979 the PSOE gained 121 seats (second again to the UCD with 168). By the time of the 1982 elections the PSOE had become by far the most successful party, gaining 202 seats compared to second-placed Coalición Popular with 107 seats⁴³. The PSOE remained the governing party of Spain between 1982 and 1996, overseeing the political and economic integration of Spain within the EC/EU. Throughout this period, European integration played an important role in the Socialist Government's political strategy (see Kennedy, 2001; Boix, 2001). Whilst there was no strong anti-European current of opinion within the PSOE throughout this period, much of the Government's austere fiscal and liberal economic strategy

⁴² Adolfo Suarez was appointed as Prime Minister of Spain by Franco's successor (and son), King Juan Carlos, in July 1976. In 1977 Suarez introduced democratic elections in Spain, in which he won election as the leader of the Unión de Centro Democrático (UCD).

⁴³ UCD's vote collapsed with the result that it only gained 11 seats in the 1982 elections.

was justified in terms of the importance of successfully integrating Spain within Europe. Furthermore, internal party opposition to the Socialist Government's policy was quietened through recourse to the need to subordinate desires for social reform in the present to the more long term creation of a successful, modern, egalitarian and integrated Europe in the future. This section seeks to chart the PSOE's position on Europe and the role this has played in maintaining the unity of the party since the death of Franco.

1975-82: From Illegality to Office

The PSOE was declared illegal and forced underground under Franco's regime, only becoming legal again in early 1977. Only a few months earlier, in December 1976, the Party Congress officially embraced Marxism for the first time in its history, claiming that 'the economic subjugation of the proletariat is the primary cause of enslavement in all forms of social misery, intellectual degradation and political dependence' (quoted in Smith, 1998: 55n). In a programme agreed at the same Congress the party adopted the principles of self-management, committing itself to nationalisation, elimination of private education, abolition of the monarchy, and self-determination for the regions (Smith, 1998: 55). However, following the legalisation of the party in 1977, Felipe Gonzalez, the leader of the PSOE, sought to moderate the PSOE and adopt a more 'traditional' social democratic programme in an attempt to make it a feasible governing party. Following the March 1979 election, Gonzalez staked his leadership on the removal of Marxist principles from the party programme.

Gonzalez argued that the working class did not constitute a majority of the Spanish electorate and that therefore it was foolish to limit the party's electoral appeal to a minority group. However, the May 1979 Congress adopted a political resolution stating that, 'we are a Marxist party because we understand that the scientific method of knowing and transforming capitalist society is through the class struggle, as the motor of History' (quoted in Gillespie, 1989: 346), which itself prompted the resignation of Gonzalez as party leader. In an Extraordinary Party Congress four months later in September 1979, Gonzalez took a more conciliatory stance, accepting a new motion which committed the party to 'Marxism as a theoretical, critical, and non-dogmatic method for the analysis and transformation of social reality, making use of the various Marxist and non-Marxist contributions that have made socialism the great emancipatory alternative of our age, and fully respecting personal beliefs' (quoted in Gillespie, 1989: 355). Gonzalez was re-elected as party leader with 86 per cent of the vote. The 1979 Extraordinary Congress is widely viewed as the turning point in the moderation of the PSOE as the overwhelming support shown for Gonzalez represented recognition by the party that it had to accept moderation and acquire an extra-working class appeal in order to become a feasible parliamentary party (Gillespie, 1989: 337-56; Share, 1989: 56-8).

Despite these tumultuous struggles within the PSOE, the party's European policy has remained remarkably stable throughout the post-Franco period. The PSOE remained committed to Spanish accession to the European Community from the 1976 Congress onwards and remained unswerving in its support for European integration. An element of scepticism amongst the left of the party did

arise at around the end of the 1970s and early 1980s, based on fears that the EC would impose strict liberal requirements upon the Spanish economy and would require too many economic concessions to the EC member states in order for Spain to gain entry (Marks, 1997: 81-2). However, these concerns were outweighed by the overbearing concern within both Spanish society and its political elite to gain entry to the European Community. Spanish isolation from the rest of Western Europe had become associated with Franco, traditionalism and authoritarianism; in contrast, the EC represented democracy, freedom and modernisation – benefits which outweighed the potential costs of an overly economically-liberal Europe (Featherstone, 1988: 296; Marks, 1997: 17-9). Stressing this point, Gonzalez claimed in 1975,

For many sectors of the Spanish population, the democratic alternative consists in achieving a system of liberties homologous to the European systems, and in addition to this exists the objective of incorporating Spain within Europe, in whose framework Spain finds itself geographically, politically, economically, and culturally (Gonzalez speaking at the 1975 SPD Congress, quoted in Marks, 1997: 78).

Moreover, in response to criticisms of European liberalism on the left of the party, the PSOE announced in 1977 that it would work for a ‘democratic, socialist and non-imperialist Europe’ (quoted in Pollack and Hunter, 1987: 138).

The first term of office: negotiating EC accession and managing economic integration, 1982-86

The PSOE was elected to office in 1982 on a 'traditional' social democratic platform committed to moderate social reform, measures to tackle the growing economic crisis, a forty hour week, a reorganisation of public finances, support for Spain's EC accession negotiations (begun in 1977 with the previous UCD government's application for membership) and a referendum on membership of NATO (Holman, 1996: 77). Upon taking office, however, the Gonzalez government set about administering a series of economic reforms that sought to adapt the stagnant and isolated Spanish economy into the wider European economy. Indeed, 'each part of the government's domestic, social and economic policy was presented and legitimized by reference to the necessity of adjusting Spanish socio-economic and political structures in the light of future membership of the EEC' (Holman, 1996: 80). This strategy was to continue throughout the 1980s and 1990s, with European integration referred to throughout the period as an important long term goal to which shorter term sacrifices should be subordinated.

Upon gaining office in 1982, the PSOE leadership were confronted with a struggling Spanish economy. Unemployment was at 16%, investment was decreasing, inflation was around 15%, the government budget and balance of payments were both suffering from deficits, the agricultural sector utilised old fashioned and inefficient production techniques, and the industrial sector was most fully developed in areas of low international demand (Recio and Roca, 1998: 139-40). In light of these economic problems, the PSOE government sought to modernise and prepare the Spanish economy for integration into the European

economy. Indeed, the ability of Spain to achieve these aims became an implicit condition of Spanish accession. In the words of Spanish Foreign Minister, Fernando Morán, to the Spanish parliament, 'there exists an implicit relation between the stabilization of the Community and the advancement of negotiations with Spain' (quoted in Marks, 1997: 84), a view strongly held within the EC itself (Marks, 1997: 84). In order to achieve this goal, the Spanish Socialist government needed to create a more flexible, more efficient and more technologically advanced economy that was geared towards the production of goods and services that were in demand on the international market. The PSOE leadership's strategy for achieving this was to give primacy to low inflation over high levels of employment, to reduce the fiscal deficit in order to remove subsidisation of inefficient activity, and to encourage wage moderation in order to facilitate high profit incentives and productivity (Smith, 1998: 92). Thus, at an early stage, the integration of Spain within the EC came to be associated with the moderation or rejection (at least in the short-to-medium term, and at the national level) of many of the elements central to 'traditional' social democracy, and their replacement with more market-building policies.

Most important to the new government's attempt to modernise the Spanish economy was the control of inflation. In the words of Carlos Solchaga, Socialist Minister for Industry from 1982 to 1985 and Minister for the Economy from 1985 to 1993,

The problem of macroeconomic policy, and in particular monetary policy, was not unemployment, since this did not depend on the direction and content of economic

policy, but inflation. Once this had been corrected, all the advantages which come from economic stability, including perhaps an increase in employment and reduction in unemployment, could be obtained (Solchaga, 1997; quoted in Recio and Roca, 1998: 140).

The PSOE therefore sought to impose the discipline of the market upon the Spanish economy by removing the many forms of protection and inefficiency that had accumulated throughout the Franco years. This would necessarily involve upheaval and instability for many sectors of the Spanish economy and would inevitably evoke opposition from many of the more traditional and anti-market sectors of society (many of whom were the more likely electoral supporters of the PSOE). However, in implementing these reforms 'EC membership formed the perfect legitimation' as it promised incorporation into a liberal, democratic, and prosperous political-economic organisation as the reward for undergoing the necessary economic reforms in the short term (Holman, 1996: 83). The initial effects of these reforms were predictably dramatic. Although price rises were brought somewhat under control (from an annual rise in consumer prices of 14.4% in 1982 to an annual rise of 8.8% in 1985), unemployment increased from over 16% to over 21% between 1982 and 1985 and economic growth remained low (Smith, 1998: 93; Recio and Roca, 1998: 141-4). However, following these initially disappointing results, the PSOE government embarked on a series of more thoroughgoing economic reforms which, coupled with the large increase in trade and investment following the accession to the EC in 1986, stimulated an economic boom throughout the second half of the 1980s.

Second Term: Economic boom and Social Discontent, 1986-89

The Spanish economy experienced a period of high economic growth throughout the late 1980s, with 4.7% average growth in GDP per annum between 1986 and 1989 (compared with 3.3% as the EC average). Spain also experienced an increase in profits, a decrease in prices, unemployment and public debt, and an increase in foreign direct investment (particularly from the EC) (Smith, 1998: 94). However, these successes had come at a price. The social coalition upon which the PSOE was based was beginning to suffer from the internal contradictions of its own success. In particular, the Socialist government had built its economic growth on the basis of an increasingly flexible workforce and a decreasingly active state. In 1984 the government introduced new labour laws which introduced new temporary contracts. Thus, when employment started to increase in 1985, 'almost all of the new jobs took one of these new forms, so the percentage of temporary jobs increased dramatically, especially in the private sector' (Recio and Roca, 1998: 146). Moreover, in the early years of the socialist government, wage moderation and social stability had been sought through the agreement of corporatist agreements. However, only two national agreements were reached (the 1983 Interconfederal Accord and the 1985-6 Economic and Social Accord). Indeed, in yet another illustration of the incompatibility of social solidarity with the social democratic strategy of attaching itself to the institutions of representative democracy and the market economy, growing conflict between the government and the social democratic union (UGT),

exacerbated by the government's failure to fulfil its commitment to increase unemployment benefits in the 1985 Accord, resulted in an impasse blocking any further tripartite agreements (Recio and Roca, 1998: 145; Royo, 2000). These tensions grew throughout the second half of the 1980s, with the UGT seeking the unfreezing of real wage levels from 1986 onwards, opposing the introduction of temporary work contracts for the young (and seeking to create 800,000 jobs for the young through subsidies for short-term, minimum wage contracts) and highlighting the government's failure to increase public sector pay in line with inflation in 1988 (despite the high level of inflation being viewed primarily as a result of a failure in government policy) (Recio and Roca, 1998: 149; Smith, 1998: 95-8). This tension culminated on 14 December 1988 with a general strike involving 80% of the workforce. The size and popularity of the strike sent a powerful message to the government that economic growth, productivity and the international integration of the Spanish economy were not goals that could be pursued without consideration for their social costs.

Third Term: Social Pacification, Deepening Integration and Economic Stagnation, 1989-93

Social unrest and dissatisfaction with the form of economic growth introduced by the Spanish socialist government resulted in a fall in the PSOE vote in the 1989 general election. The party's vote fell to 40% and its share of the seats in the Cortes fell to 175, leaving the party with only a slim majority as the governing party. In an attempt to appease the trade unions and social sectors that were

unhappy with the government's restructuring policies, the PSOE increased pensions and unemployment benefits in 1990 and passed laws allowing the unions to monitor the temporary work contracts to which they had been so opposed⁴⁴ (Smith, 1998: 99). Moreover, in launching its so-called *Manifesto of the Programme 2000*, the 32nd Party Congress of 1990 outlined its plan for the creation of a socialist Europe. Whilst recognising and highlighting the constraints that exist for social democratic parties incumbent within the nation state, the PSOE stated that

today Europe is the scene where the game is played between the neo-conservative model of society and the democratic socialist project, and our country is now in a crucial position with respect to both the battle of ideas and the task of the construction of Europe. Therefore the power configuration in a united Europe will partly depend on the orientation of Spain... (*Manifesto del Programa 2000*, 1991; quoted in Holman, 1996: 122).

The Programme went on to outline a plan for the construction of a socialist Europe, through which the PSOE 'explicitly intended to ideologically compensate for the short-term conservative drift of government economic policy' (Holman, 1996: 123).

Ironically, it was the Socialists' European policy that was later to justify Spain's subordination to even harsher competitive forces and to further

⁴⁴ Although 'these measures had practically no effect' (Recio and Roca, 1998: 148).

government spending cuts. The Socialists' decision in 1989 for Spain to join the ERM committed the government to maintaining a strong peseta in order to remain within the bands of the scheme. However, the combination of the government's renewed commitment to social spending, the high level of public debt and the decline in the global economy resulted in persistent downwards pressure upon the peseta, eventually leading to three devaluations between September 1992 and May 1993, creating a total devaluation of 19% and thereby curbing domestic consumption (Boix, 2000: 175-8). Moreover, following the Maastricht summit in December 1991, the Spanish government announced in spring 1992 its *plan de convergencia* for the period 1992-96, which outlined cuts in public expenditure, social spending, deregulation and flexibilisation of capital and labour markets, and an accelerated partial privatisation of public enterprises. The plan prompted another general strike, and internal battles within the PSOE between technocratic neoliberals grouped around Solchaga and party apparatchiks, historically associated with ex-vice premier Alfonso Guerra, who sought more centralised control of the Spanish economy (Holman, 1996: 155; Smith, 1998: 101).

Final Term: 1993-96

The unpopularity that arose from the government's fiscal and monetary austerity measures, combined with the experience of recession in 1993 and a growing spate of scandals harming the government, resulted in a fall in the PSOE support in the 1993 elections. The party gained 39% of the votes and 159 of the 350 seats in the Cortes, requiring it to form a coalition with the small party, *Convergència I*

Unio, in order to form the next Socialist government (Smith, 1998: 101). The remainder of the Spanish socialist's period in office was spent seeking to prepare the Spanish economy for entry into the single currency. This required further privatisation and restrictive fiscal and monetary policies. During these years the Spanish economy began to grow again at levels averaging around 3% (Salmon, 2001: 18). However, despite the slight upturn in the economy, strong similarities between the policies of the PSOE and the conservative opposition and growing questions regarding the trustworthiness of the leadership resulted in the PSOE's defeat in the 1996 election and its replacement by the *Partido Popular* (PP), a party with even greater commitment to the strategy of EMU entry through market liberalisation and further privatisations (Gibbons, 2000: 58-9; Salmon, 2001).

Opposition: 1996-2004

Following the 1996 elections the PP formed a minority government with the parliamentary support of the Catalan Nationalists, whilst the PSOE suffered from the inevitable strains of adapting to opposition following 14 years in government. Thus, between June 1997 and July 2000 the party had four different leaders. Internal struggles over the party leadership and policy-making process resulted in confusion and distance amongst the wider electorate. This resulted in a second electoral defeat in 2000. However, as the PSOE had built its programmatic identity around support for membership of the European Union and the subordination of economic policies to this end, it became difficult for the PSOE to distinguish itself from the seemingly competent PP government. Moreover, in

government the PSOE had sought to perpetuate the fear that an incoming PP government would undermine and dismantle the fragile welfare state recently introduced by the PSOE government. By 2000 this fear had not been realised and thus became an untenable attack upon the PP government. José Luis Rodríguez Zapatero, elected leader at the PSOE's 2000 conference, therefore had his work cut out in seeking to distinguish his party as the more competent alternative to the PP due to the indistinguishable differences between the main planks of the two parties' programmes (Kennedy, 2003). This distinction was eventually achieved through divergent positions over Iraq and the ill-received reaction of the Aznar government to the March 11 2003 terrorist attacks on Madrid, leading to the PSOE's victory in the 2004 elections on the basis of a pro-market policy showing strong similarities to the political-economic programme of the PP and distinguished mainly by its opposition to Spain's involvement in the Iraq war. The EU-level also became part of the PSOE's attempt to distinguish itself from the PP during this election, claiming that

the Government of the Popular Party has altered the fundamental of Spain's involvement in the EU, moving away from a federal European Union towards an intergovernmental Union, and dependent on the US in foreign affairs and security, limiting the EU to a strictly economic organisation, thereby preventing the development of a true political and economic Union that could serve the interests of its citizens and promote European interests and influence globally (PSOE, 2004: 17, own translation).

In contrast, the PSOE claimed it sought,

to build a Europe to promote the welfare and interest and common objectives of its citizens; a Europe capable of exercising its role as an autonomous, global actor, consisting of peace, stability, the eradication of poverty, sustainable development, social and economic progress, equality and respect for human rights (PSOE, 2004: 17; own translation).

Throughout the post-Franco history of the PSOE, therefore, the opportunities for social democratic intervention at the European level were consistently utilised as a rhetorical device to justify the implementation of austere market-building policies at the national level, whilst denying the impracticability of market-correcting policies at some point in the future once Spain had fully integrated itself within the European Union and was able to influence policy output at the supranational level.

5.4. Italy

The experience of the *Democratici di Sinistra* (DS, or Democrats of the Left) since the early 1980s illustrates a similar trend to that of West Europe's social democratic parties. Although the DS, a post-communist party, has its roots in the Third International, developments within the party (particularly since the death of its leader Enrico Berlinguer in 1984) have led to its contemporary

manifestation as a fully modernised ‘new’ social democratic party. Meanwhile, the main official social democratic party of Italy⁴⁵ in the 1980s, the PSI (Socialist Party of Italy), imploded at the end of what has come to be called the first Italian Republic in the early 1990s. Thus, this section on Italian social democracy will focus on the development of the main *contemporary* Italian social democratic party – the DS – seeking to illustrate the interconnection between its own ideological/programmatic transformation and its position on the European Union.

The ‘golden age’ of capitalism was as golden in Italy as it was in other countries. Thus, between 1955 and 1970 average GDP per capita income grew by 2 and a half times. Further, total social expenditure grew from around 10 percent of GDP in the mid-1950s to 22.6 percent in 1975. However, throughout the 1970s the Italian economy suffered as a result of union pay demands, expanding and inefficient welfare provisions, and a growing budget deficit. Following wage rises resulting from union pay demands in 1969, the government sought to implement a tight monetary policy that would control inflationary pressures. However, this induced a recession, prompting the government to shift to an expansionary policy, which itself resulted in renewed inflationary pressures. These pressures, and the collapse of the Bretton Woods system, led to strong downward pressure on the lira, which itself created further inflationary pressure, leading to an inflation-devaluation spiral. By 1974 inflation had risen to 19 percent and by winter 1976 trading in the lira had been suspended. This situation had worsened by 1980: the rate of inflation rose to 21%, public debt had

⁴⁵ By ‘the main official social democratic party’ I mean the largest party that is, or was, a member of the Socialist International.

reached 58.1 percent of GDP, and the public deficit grew to 8.6 percent. Throughout this post-war period, the Communist Party of Italy (PCI) was excluded from government.

Throughout the 'golden age' the PCI opposed European integration, viewing the EC as an essentially capitalist organisation. However, during the 1980s the PCI began to moderate its position, distancing itself from the Soviet Communist Party and adopting its own brand of Eurocommunism, which included a similar gradual moderation of the PCI's position on integration (Abse, 2001: 61). It was not, however, until after Berlinguer's death, and his replacement as party secretary by Alessandro Natta in 1984, that real reform within the PCI could take place. Natta was a revisionist who saw the problems facing the welfare state as a problem for 'traditional' social democracy and therefore as an opportunity for Eurocommunism. At the 17th Party Congress in February 1986 (the first under Natta) the PCI adopted a position it called the 'Euro Left', by which it sought a non-sectarian pan-left association of organisations seeking the implementation of socialist ideals at the national and international level. In the words of the resolution adopted by the Congress,

The PCI is and always wants to be, in the best of ways, a decisive component of the European Left. The PCI draws its own unitary inspiration from socialist ideals aiming, above all, at the Left's unification and its reforming will (resolution adopted by the 17th Congress of the PCI, 1986; quoted in Fouskas, 1998: 64).

However, the electoral fortunes of the PCI fared badly under Natta and a poor performance in the 1987 general election strengthened the position of deputy party secretary, Achille Occhetto⁴⁶. Between 1946 and 1976 support for the PCI had grown to 34% of the national vote (from an initial 19%), yet from 1976 onwards its electoral popularity went into decline, falling to 27% by 1987. These electoral problems were compounded by falling membership, an identity crisis caused by the incomplete rejection of Eurocommunism and the strategic dilemma posed by the seeming failure of both Soviet Communism and social democratic Keynesianism⁴⁷. Occhetto's succession to the party leadership in June 1988, therefore, presented him with the necessity of renewing the party programme. In launching his *nuovo corso* 18 days before gaining the party secretaryship, he announced that this was exactly what he had intended. Occhetto's new course included cooperation with the PSI, a commitment to 'civilised growth'⁴⁸ and a 'programmatic alternative'⁴⁹. At the 18th Party

⁴⁶ Occhetto was an ambiguous neo-revisionist who had earlier prefaced an Italian translation of German SPD thinker Peter Glotz' *Manifesto for a New European Left*. Occhetto's support for this 'manifesto' was a symbolic association between the PCI and a pro-European social democratic party, representing a significant stage in the 'social democratisation' of the PCI (Abse, 2001: 62).

⁴⁷ Which left the third way, or *terza via*, of Eurocommunism with no two other ways to be in-between.

⁴⁸ 'Civilised growth' was basically a commitment to managed redistributive capitalist economic growth.

⁴⁹ In other words, a specific governing policy rather than a vague commitment to overturn capitalism.

Congress in March 1989 the *nuovo corso* was complimented by *riformismo forte* (strong reformism), which sought to appeal to some of the post-materialist values that arose during the 1980s and the new social movements that sought their promotion. ‘Strong reformism’, therefore, committed the party to workers’ rights, environmentalism and feminism (Fouskas, 1998: 110-8). The *nuovo corso* and *riformismo forte* were also connected to Occhetto’s growing commitment to reform within the European Union. Indeed, in his own words, “posing the basis for an alternative policy [...] is the first task of the Italian Left that really wants to be a European Left” (Occhetto, 1989, quoted in Fouskas, 1998: 120).

This was a theme that was to be relied upon repeatedly, particularly following the fall of the Berlin Wall and the evident crisis of both Soviet Communism and ‘traditional’ social democracy at the national level. Indeed, as the political elite had been seeking to curtail and/or reverse the excesses of Keynesian social democracy throughout the 1980s, it failed to offer the PCI much in the way of attractiveness as a programmatic alternative to communism. A much more viable alternative was what came to be known as Eurokeynesianism, a platform adopted by the PCI for the 1989 EP elections. Thus, following the fall of the Berlin Wall, the PCI sought a ‘new constituent phase’, which was essentially a rejection of revolutionary communism and a commitment to European federalism. The argument put forth was that through integration into the European Union, the Italian state and political system could be reformed to dissolve the clientelistic relationships that impeded any attempts at budgetary reform, and a pan-European left could gain control at the EU-level in order to manage and reform European capitalism. In other words, “the most serious and

objective basis upon which the PCI and the Left place their candidature to govern Italy's Europeanisation, is the indispensable need for the reform of the state and the break-up of that perverse compromise that has been created by the DC and its government allies" (The PCI's programme for Europe, quoted in Fouskas, 1998: 139-40). Between 1989 and 1991 Occhetto brought about a change in the name of the PCI, and so the 20th (and last) Congress of the PCI (29 January to 2 February 1991) was also the 1st Congress of the newly named Partito Democratico della Sinistra (PDS, or Democratic Party of the Left). The concomitant collapse of the 'Italian First Republic', which saw the demise of the historical governing coalition of the DC and PSI and fundamental electoral reforms away from proportional representation towards a plurality system, presented the PCI/PDS with an opportunity to manage the political renewal of Italy.

The PDS was initially unable to take advantage of this opportunity, however, due to the strains placed upon it by the Party's own internal reforms. The political scandals within the DC-PSI coalition culminated in the election of the Amato government in 1992⁵⁰. Before its downfall, however, the government was able to hold a referendum on electoral reform on 18 April 1993, which resulted in a victory for the constitutional reformers (which included the PDS). Following the referendum, Ciampi (the governor of the Bank of Italy) was asked to form a technocratic government with responsibility for implementing the electoral reforms agreed by the referendum and for reducing the growing budget deficit. In the subsequent general election the following year, the PDS lost the

⁵⁰ Amato was a socialist, but managed to distance himself sufficiently from Craxi to form the first of two technocratic governments that were to govern Italy between April 1992 and March 1994.

general election to Silvio Berlusconi's new Forza Italia party in coalition with the Lega Nord and Alleanza Nazionale. In seeking to gain the confidence of the electorate and to symbolise the reforms that had occurred within the party following its name-change, the PDS had stood on a strictly market-building economic policy, committing itself to the retention of Ciampi as prime minister. However, a similarly poor electoral performance in the 1994 EP elections a few months later prompted the resignation of Occhetto and his replacement by Massimo D'Alema, who sought links with moderate trade unions and a broad electoral coalition (Abse, 2001: 65-8).

The main economic issue facing Italy during the 1990s was its membership of EMU, and, therefore, its ability to meet the Maastricht convergence criteria. This required a series of austerity budgets in order to bring the government deficit in line with the criteria. In January 1995 the Berlusconi government was replaced by another technocratic government, this time led by Lamberto Dini (the treasury minister in the Berlusconi government), following the collapse of the Berlusconi coalition. The PDS supported the Dini government in implementing various austerity measures. However, by April 1996 the Dini government was itself forced to resign, prompting another general election. L'Ulivo (or Olive Tree coalition), formed in February 1995 as an electoral coalition of the centre-left and led by the PDS, won the election, resulting in the election to Prime Minister of leftist Christian Democrat, Romano Prodi. The Ulivo had been elected on a centrist platform committed in particular to maintaining a liberalisation of Italian state-society relations. Thus, 'under the heading of 'Healthy finances for a healthy state', the coalition committed itself to:

keeping inflation under control; the independence of the central bank to achieve that end; continuing to reverse public deficits and debts; and to the incomes policy agreements of 1992-93 that saw trade unions limit their wage demands' (Della Sala, 2002: 120). This was combined with a strong commitment to take Italy into the Euro. To this end, the Prodi Government took Italy back into the EMS (after its forced exit in September 1992) and subsequently managed to secure Italy's entry into EMU as part of the first eleven countries to adopt the euro. Indeed, despite splits between Prodi and D'Alema over the nature of spending cuts, 'Italian entry into the euro was the government's most important task' (Abse, 2001: 71). This task primarily involved the implementation of public spending cuts. However, Italian membership of the Euro had become so popular throughout Italy that, despite the opposition of the hard-line Communist Refoundation (PRC), the public spending cuts were supported by the PDS and the trade unions, in order that the Maastricht criteria could be met (Della Sala, 2002: 121).

The Prodi government lost its parliamentary support in October 1998 leading to Prodi's replacement by DS⁵¹ leader Massimo D'Alema. By this time the DS had adopted much of the 'new' social democratic and 'third way' rhetoric prevalent in the late 1990s. For instance, a motion adopted at its second congress in 1997, stated that,

⁵¹ The PDS changed its name to the Democratici di Sinistra (DS, or Democrats of the Left) in 1998.

We must be brave enough to think in terms of less guarantees and protections, and more culture, work and expansion of individual opportunities on the basis of equal starting points (quoted in Abse, 2001: 72).

This was reflected in a general approach to employment-creation that emphasised more 'new' social democratic measures such as reducing labour costs by cutting employer contributions to social programmes and increasing labour market flexibility; a position that had repeatedly led to clashes with the PRC over the latter's demands for more 'traditional' social democratic-style public sector employment as a means to tackle unemployment (Della Sala, 2002: 122). However, at the same time as national economic policy was focusing on cutting public spending in order to meet the Maastricht criteria, D'Alema was also talking about the possibility of circumventing national-level constraints upon macroeconomic policy through the cooperation of the Left at the European level. Thus, in an interview given in 1998, D'Alema claimed,

nation-states must act within the framework of transnational macroeconomic strategies: the need for compatibility acts as a constraint and can undo policies. The European Left is already discussing this, and possible common objectives are emerging, so there is a certain link. The fact that the June 1997 summit of European governments in Luxembourg finally talked about unemployment and decided to institute Europe-wide monitoring of national policies and to make more resources available is due to pressure by and discussion among European socialists (D'Alema, quoted in Bosetti, 1998: 13)

Nevertheless, following a poor performance by L'Ulivo in the April 2000 regional elections, D'Alema was replaced as prime minister by socialist Giuliano Amato in April 2000. However, by May 2001 the Ulivo government had exhausted itself and its lack of originality led to its defeat to Berlusconi in a general election. This election represented a major crisis for the DS. Its vote fell to 16.6% (compared to 29.4% for Berlusconi's Forza Italia) amid widespread distrust amongst the grassroots of the party towards the leadership. The response has been the election of a new leader, Piero Fassino, who has sought further decentralisation of the internal party structure and a heightened commitment to economic liberalism (Bull, 2003: 61-70).

The DS has become a truly 'new' social democratic party, promoting progressive supply-side policies at the national level, constrained by the demands of European integration, and seeking to legitimate this market-building programme through the promotion of progressive policies at the European level. Thus, in describing the rhetorical tone of the DS, Vincent Della Sala provides what could stand as an ideal-typical definition of 'new' social democracy:

There is a great deal of rhetoric about social solidarity and tempering inequalities that result from economic liberalization, but the reference point to solving collective problems, whether it is unemployment or the welfare state, is to create the right competitive conditions (Della Sala, 2002: 124).

Further, in an attempt to revive the fortunes of Italian social democracy, in 2002 Giuliano Amato and Massimo D'Alema co-authored an open letter to the Party of European Socialists arguing that 'reformist politics must put its sights on a supranational horizon – a level at which decisions are now also made that directly affect the lives of citizens', that 'all European reformists must unite in an enlarged supranational political family' in order to 'meet and design a sufficiently strong and convincing programme'. Thus, the period ends with the leadership of the Italian left proclaiming the possibility of promoting social democracy through pan-European cooperation, seeking 'the convergence of our work at the European Parliament or the presentation of a common candidate for the European institutions' (Amato and D'Alema, 2002). In sum, the European Union has been consistently adopted by the PCI, PDS and DS as a symbol of the continued feasibility of social democratic progression, despite its association with the shedding of communist, socialist, social democratic, and generally collectivist values, institutions and achievements at the national level.

5.5. Conclusion

In conclusion, the cases presented here have illustrated the way in which the transformation to 'new' social democracy in Sweden, France, Spain and Italy each illustrate the validity of the explanation presented in chapters two and three. In the case of Sweden, the failure of the Swedish economic model has witnessed a marketisation of the Swedish model in an attempt to make the Swedish economy more competitive, to reduce the role of the state, and to enforce greater

subordination of economic practices to the demands of the international economy. This is a move that has been both encouraged by the Swedish accession to the European Union, and been (partially, although not particularly successfully) legitimated in terms of the supranational opportunities for re-regulating globalisation and for retaining the remaining elements of the Swedish model of welfarism and full employment at the national level. In the case of France, the failure of radical Keynesianism and the 1983 U-turn by the Socialist Government prompted an abandonment of 'traditional' social democracy, and led to a policy of tight monetary policy and the turn to the European level in an attempt to regain the political initiative at the supranational level. This has been echoed in the late 1990s with an emphasis by the Jospin administration on the opportunities for macroeconomic coordination by the French government working at the EU-level. In the case of Spain, the market-building policies that have been introduced in the face of (particularly) trade union opposition throughout the 1980s and early 1990s have been justified in terms of the importance of integrating the Spanish economy into the European economy and in terms of the opportunities that face Spanish socialists at the EU-level. Finally, in the case of Italy, the transition by the PCI into the DS has been intricately linked with the importance placed by the Italian Left on the opportunities for overcoming Italian clientelism and economic underperformance and the inability to implement national-level social democratic alternatives at the national level, through its engagement with a more federal European Union. This is despite the overriding effect of European integration upon Italian political economic policy being the drive for Italy to meet the market-enforcing Maastricht criteria. In each country study, therefore, we have

witnessed three stages of similar processes. Firstly, 'traditional' social democracy has faced debilitating problems arising from the inability to reconcile the successful implementation of a regulatory and redistributive policy framework with the need for a constantly expanding, innovative, competitive and flexible market economy, combined with the absence of collective and solidaristic behaviour within a system of representative democracy. Secondly, these problems invariably resulted in the economic and/or political failure of the 'traditional' social democratic programme and its jettisoning by social democratic parties in exchange for a more market-building 'new' social democratic programme at the national level. Finally, the adoption and implementation of a 'new' social democratic agenda at the national level has been consistently accompanied by an attempt to maintain the continued viability of more 'traditional' market-correcting policies through the pursuit of a more 'traditional' agenda at the EU-level. Whilst this chapter and the preceding one have illustrated the way in which the social democratic turn to Europe represents an attempt to secure ideological continuity despite the failure and abandonment of 'traditional' social democracy at the national level, the claims made in chapters two and three will not be fully verified until we examine the development of a social democratic agenda at the EU-level, the degree of success achieved by its proponents, and their perception of the opportunities and constraints existent at the European level. It is to this that we now turn.

Chapter 6 – Social Democracy at the EU-Level

The aim of this chapter is to examine the constraints and opportunities facing social democrats at the EU-level, and their aims and actions in operating at that level. In particular, the aim of the chapter is to verify the claim made in chapters two and three, that social democratic support for, and engagement with, the European level is primarily an attempt to legitimate the moderation of social democracy from its ‘traditional’ to ‘new’ manifestation. According to the explanation presented in chapter two, pursuit of market-correcting policies at the European level enables the (partial, yet as we have seen in the preceding chapters, problematic) legitimization of ‘new’ social democracy as it retains the possibility of reasserting an agenda of market-correcting public policy (due to the increased potential arising from the more appropriate territorial scale of the European Union in comparison to the nation state), yet enables this reassertion to be rendered incomplete (at least in the short-to-medium term) in a form that is explicable and justifiable in terms of the obstacles to European integration that limit the scope and substance of public policy at the EU-level. In this way, social democratic parties are able to moderate their policy agenda and political aims without completely rejecting the contradictory social democratic strategy of pursuing a redistributive policy agenda within institutions of representative democracy attached to a market economy, thereby maintaining a degree of ideological continuity with preceding forms of social democracy and continuing to be a viable political strategy. The evidence presented in this chapter further verifies this

claim. Firstly, the chapter will elaborate upon the introduction given in chapter one to the institutional limits to market-correcting policies that exist at the European level. It will then go on to show how, due in part to these limits, the process of European integration has acted to limit the scope of market correcting public policy across the multi-level EU polity. Secondly, based on an analysis of both official party documents and qualitative interviews, we will witness the development of a 'counter-globalisation' agenda being promoted by social democratic actors operating at the EU-level, despite the limiting effect that European integration has had on the scope for market-correcting policies across the European polity. It will thus be shown how the EU-level has been consistently portrayed and perceived by social democratic actors operating at that level as a means to reassert democratic control and redistributive regulation over economic processes that have become (perceived as) uncontrollable at the national level. Further, the non-realisation, and, indeed, non-promotion, of a more 'traditional' social democratic agenda at the EU-level will be shown to be understood and explained by many social democrats as a result of the problems with European integration (as opposed to the obstacles to the social democratic strategy itself), obstacles which many social democrats often implicitly support.

6.1. The limits to market-correcting policymaking at the EU-level

This section aims to develop further the argument introduced in chapter one: that there are limits to substantive public policy making at the EU-level which restrict the development of market-correcting public policy at the European level,

resulting in European integration creating an overall reduction in the scope for such policies across the multi-level European polity. In particular, I will illustrate the operation of this tendency at the European level in the most important areas of market-correcting policy: macroeconomic management, social policy, and worker participation. Particular attention will be given to the examination of policy developments in the field of worker participation in order to give a more in-depth investigation into one area of market-correcting policymaking that is of particular historical importance to the social democratic movement.

The limits to EU-level policy making

As indicated in chapter one, a number of (inter-related) problems hindering the development of political integration and public policymaking at the EU-level have been identified by scholars of European integration. I want here to elaborate in more detail some of the more substantial of these obstacles in order that we can proceed to illustrate how they have acted to limit the scope for market-correcting public policy at the EU-level.

The absence of a strong European demos. The importance of a common, collective identity amongst the constituents of a polity is widely recognised in the social science literature (Habermas, 1992; Miller, 1995, 1988-9, 1989; Anderson, 1991). Indeed, the existence of some form of 'affective' attachment to the polity by its constituents is widely seen to be necessary for the democratic legitimacy of a political systems' decision making, implementing and enforcing roles, and often

derives from a sense of collective 'we'-ness that exists amongst those constituents (Easton, 1965, 1975; Hix, 1999: 138-40). The importance of a common identity among the constituents of a polity stems from the ideal of democracy (government by the people) that has been used to legitimate the rule of the nation-state throughout most of the twentieth century. Thus, in order that self-determination, a principle central to the operation of representative democracy, can be achieved (or, at least, approximated) it is necessary for a sense of collective responsibility and fate to exist amongst the individuals that inhabit the particular territory in question. Without this, the practice of self-determination by a collective entity becomes impossible. Further, implementation of policies that are unpopular with certain constituents is easier if it can be shown that the policy in question will benefit a shared 'collective' interest. Thus, Scharpf describes this as 'my duty to accept the sacrifices imposed in the name of the collectivity', a collectivity which comes about through a trust in the fellow members of a polity, which is most likely to come about amongst people who share a belief in an essential 'sameness', 'arising from pre-existing commonalities of history, language, culture, and ethnicity. Scharpf calls this a "thick" collective identity'⁵² (Scharpf, 1999: 10). The absence of this 'thick' collective identity amongst the constituents of the European Union (in comparison to the 'thicker' collective identity existent within most European nation states) threatens the democratic legitimacy of the European

⁵² This 'thick collective identity' should not be confused with (the absence of) 'collectivism' discussed with reference to representative democracy in chapter two (although the concepts do obviously have similarities and overlap to a certain degree). Whilst a 'collective identity' here refers to the extent to which individuals perceive themselves to be part of a coherent group, 'collectivism' here refers to the extent to which individuals act in a mutually cooperative manner.

Union. This absence has also proved a serious obstacle to the development of political integration at the EU-level (see Hix, 1999; 138-40; Carey, 2002; Habermas, 2001; Llobera, 1993; Smith, 1992). It is also this lack of a 'thick' collective European identity, combined with the prevailing existence of a 'thicker' collective national identity, that (it will be argued) partly explains the limits to the creation of substantive market-correcting policymaking at the EU-level. In particular, the lack of a pre-existing collective interest results in an absent social constituency which public policy can claim to serve (Habermas, 2001; Scharpf, 1999; Greven, 2000; Offe, 2000).

Lack of popular demand and/or approval for policymaking at the EU-level.

Related to the previous obstacle, policymaking at the EU-level has also been hindered by the absence of popular pressure for, and popular approval of, policy making at the EU-level, in contrast to the national level. This has resulted in three phenomena: the demand for political problem-solving is still focused predominantly on the national level (Moravcsik, 1998; Magnette, 2003); national political leaders and representatives are able to gain a greater degree of control over the political agenda at the European level due to a lack of widespread public scrutiny over politicians' actions within the institutions of the European Union (Raunio, 2002; Streeck, 1996); and, finally, the void left by the absence of popular pressure has been filled by the disproportionately large representation of professional and corporate lobbyists, large and well-organised NGOs, and Commission-sponsored consultative bodies (Greenwood and Aspinwall, 1998; Cohen, 2000; Van Apeldoorn, 2002; Cowles, 1995, 2001). The absence of popular pressure and scrutiny at the EU-level has resulted in both the absence of

demands for particular policies and decisions to be made at the European level, but also a lack of popular legitimacy for policies that do attempt to meet popular demands through policymaking at the EU-level. Thus, politicians both have greater control over the agenda at the EU-level (due to the absence of widespread popular involvement), but also less scope for policymaking (due to the absence of political legitimacy for more substantive policies that might emanate from the supranational level). Policies that emerge from the EU-level, therefore, often reflect the demands of governments and large organisations (due to the absence of popular involvement within the EU-level decision making process), but also reflect the need to limit these policies to either ('neo-voluntarist') framework agreements (in order to avoid a clash of sovereignty with the more popular national institutions) or matters of a technical and apolitical nature (due to the lack of support or pressure for more political decisions to be taken at the European level) (on the greater ease with which decisions can be reached on technical issues, see Elgström and Jönsson, 2000).

Formal requirement for a high level of consensus in decision making.

Thirdly, substantive policy making at the EU-level has also been hindered by the formal requirement for a high level of consensus in decision making. The historic requirement for either unanimity or (increasingly) qualified majority voting as the means through which EU legislation can be adopted has acted to raise the level of consensus needed amongst policymakers operating at the EU-level, thereby creating a tendency for either indecision in the face of intransigent opposition from one or more of the key decision-takers, or moderation and the adoption of policies reflecting the lowest-common

denominator in an attempt to reach an agreement (for the classic statement of this argument, see Scharpf, 1988). This has therefore had an effect on the quality and substance of legislation and policies emerging from the EU-level, in particular resulting in a series of decision-making deadlocks and/or the adoption of heavily compromised agreements that lack the strength of similar agreements reached at the national level. Indeed, 'legislative decision making in the Council of Ministers and the European Parliament is generally an agonizingly slow process' in which in order to eventually reach an agreement heavy compromise is needed on each side (Pollack, 2003: 10). Moreover, due to the requirement for both a qualified majority in the Council of Ministers (the changes to a dual majority system under the new Constitution notwithstanding) and an absolute majority of MEPs in the EP for second round decisions under QMV, 'the EU is evolving into a bicameral legislature with the bias in favour of the status quo', therefore creating the situation whereby further substantive integration and policymaking at the EU-level is increasingly difficult (Tsebelis and Garrett, 2000: 32).

Lack of official competence. Fourthly, policymaking at the EU-level is restricted by the need for that level to have been previously granted official competence to act in that policy area by the member states in their adoption of the Treaties of the European Union. Indeed, official legislation emanating from the EU-level must be adopted under a specific treaty article that grants the EU-level the authority to act in that area. Further, in order for the competence to act in a particular area to be granted to the supranational level (in the form of its inclusion in the official Treaties) itself requires unanimity amongst the member states, thereby placing further limits upon the development of substantive EU-level

policy making.

Multiple veto points. Further, the existence of multiple veto points within the multiple institutions of the European Union also hinders substantive policymaking at the EU-level (Marks, Hooghe and Blank, 1996). Thus, for each attempt at policy making within the institutions of the European Union there are multiple points at which the legislation required for its implementation can be blocked; primarily within the Council, Commission and EP. This existence of several points at which objections to a particular piece of legislation can be blocked creates constraints upon decision making as there are many opportunities for individuals to oppose the adoption of legislation, particular in comparison to most national polities with a straightforward unitary executive and single legislature. For instance, the need for legislation to be adopted by both the Council and the EP - in what Hix (1999: ch. 3) refers to as a bicameral parliamentary system – creates a large range of opportunities to block, delay, or moderate policy.

The tendency towards negative integration. The preceding obstacles to European integration may be seen to prevent all forms of policymaking (i.e. both market-building and market-correcting policy). However, as noted in chapter two, a number of analysts have successfully argued and illustrated that, in fact, the obstacles to European integration have had a disproportionately large impact upon the development of market-correcting policies, thereby creating an emphasis upon market-building over market-correcting policies within the process of European integration, a process labelled ‘negative integration’ (Pinder, 1969; Holland, 1980; Scharpf, 1999). According to the proponents of this view, the institutional

obstacles to policy integration at the EU-level have created a tendency towards non-decision making. Thus, given the high barriers to be overcome in agreeing policies to be adopted at the supranational level, the tendency arises for agreements not to be reached at all, or (when they are reached) for them to be of a minimal nature. This tendency towards non-decision apparently represents a more viable forum for the creation of market-building measures than market-correcting measures. This is because, whilst the supranational integration of national economies simply requires the removal of national obstacles to trade, the construction at the supranational level itself requires a further agreement over what should constitute those supranational level policies. Hence, whilst the negative dismantling of national obstacles to trade requires only minimal agreement over the importance of opening trade, the positive construction of a supranational mode of regulation requires concrete agreement between the various actors operating at the EU-level in order for substantive policy to be agreed. It is the attempt to reach an agreement over the mode of regulation to be adopted at the supranational level that encounters each of the obstacles to European integration outlined above. In short, it is easier to agree not to hinder trade between member states than it is for those member states to agree how to cooperate in the regulation of their socio-economic space; a process that has been labelled one of 'negative integration' (see, Majone, 1994; Scharpf, 1996; Smith, 2001; Jones, 2003).

Path dependence arising from the lack of positive integration. Finally, as the above obstacles have resulted in an absence of positive integration at the European level, so there also exists an absence of the institutional machinery

required in order to seek to implement positive integration. This therefore creates a certain path dependency, whereby the lack of the institutional means to implement substantive market-correcting policies at the European level arising from the historical development of the European Union, itself becomes an obstacle to the implementation of such policies in the future (on the concept of path dependence, although applied to the EU in a very different way, see Pierson, 1996, 1998, 2000). Whilst these obstacles are obviously not insurmountable, the absence of a substantial budget, the underdevelopment of an institutional machinery to implement social and/or macroeconomic policies, and the institutional strength of DG Competition within the Commission, each pose a serious hurdle to those seeking to implement substantial market-correcting policies at the European level (on the lack of interventionist institutional apparatus at the EU-level, see McGowan, 2001).

Advocates of market-correcting policy at the European level, therefore, face a number of well-charted obstacles. In particular, the absence of a strong European collective identity (particularly in contrast to the national level), the lack of popular demand for EU-level initiatives, and the lack of official competence in many areas of public policy, combined with the fact that even in those areas where the EU-level does have competency the institutional decision-making rules and the high number of veto players has necessitated a high level of consensus and compromise in reaching policy agreements, have all created a tendency towards negative integration that has itself created an institutional legacy unamenable to the implementation of market-correcting policies at the European level. Having outlined the main obstacles to decision making within the institutions of the

European Union, I want now to examine developments in three of the most important areas of market-correcting policy to show how these obstacles have affected the prospect of social democratic policymaking at the EU-level.

Counter-Cyclical Macroeconomic Policy

We turn first to macroeconomic management, an area of political intervention that came to be crucial to the Keynesian consensus during capitalism's 'golden age' as the nation state regularly sought to stimulate demand in order to secure high growth and low unemployment. According to the Keynesian theory adopted by social democratic parties during the *Trente glorieuses*, state-financed reflationary measures were essential to counter the tendencies to stagnation, under-consumption and overproduction inherent to a market economy (for an overview of how Keynesianism was popularised and employed by state managers see De Angelis, 2000). However, as identified in the preceding chapters, following the difficulties faced by proponents of Keynesian macroeconomics within the nation state, 'traditional' social democrats increasingly came to reject reflationary demand management policies as effective counter-cyclical economic policy tools. However, as noted above, the EU-level has increasingly come to be seen by social democrats as a viable alternative institutional forum within which to promote market-correcting policies. This includes market-correcting counter-cyclical macroeconomic policy. For instance, the PES Congress adopted the Guterres Report in 1999, in which it stated that,

[i]n a globalised world, facing increased risks of financial crises and unacceptable high unemployment, uncoordinated national policies are no longer adequate to protect the social cohesion in our societies... Macro-economic policies must contribute to managing sustainable and non-inflationary growth. We must create the confidence to boost investment and to overcome the present slowdown which undermines prospects for growth and technological modernisation not only in the short but also in the long run.

At European level, we must define an appropriate policy mix between the unified monetary policy, the 15 national budget positions and the multitude of wage and income developments in Europe. Such macroeconomic co-ordination has been resisted by conservatives and neo-liberals with disastrous consequences (PES, 1999a).

Thus, the development of a market-correcting macroeconomic policy at the EU-level represents an important opportunity for the realization of social democratic aims at the supranational level.

However, when we look to the actual development of EU-level macroeconomic policy we see that it has consistently encountered the constraints to EU-level policymaking identified in the preceding discussion. In particular, these obstacles have restricted EU-level macroeconomic policy to mainly non-binding agreements focused predominantly on supply-side measures. Indeed, European integration in the area of macroeconomic policy has only developed in two areas: control of the monetary policy of the Euro; and the coordination of member states' macroeconomic policies. These developments will be examined below.

Firstly, European-wide control of the monetary policy of the Euro is necessary in order for the Euro to function. The form that this control has taken is purposefully non-political and focuses on maintaining price stability across the Euro zone. Specifically, the European Central Bank is responsible for setting the base rate of the Euro, according to a mandate which stipulates that a low level of inflation should be its primary goal. Thus, the development of Euro monetary policy has been limited to the minimum amount of decision making required in order for the Euro to function as a viable currency, therefore reflecting the tendency towards the concentration upon technical, as opposed to political, agreements as outlined above. Further, attempts to re-politicise monetary policy by making the decisions of the ECB more politically accountable (for instance, by giving the Council more input into the decision-making process of the ECB, an initiative particularly supported by some of the PES member parties prior to the Maastricht Treaty negotiations) have lacked the necessary support within the European institutions to do so, therefore also reflecting the effect of the high level of consensus needed in order for decisions to be agreed within the multi-level European polity (see Gali, 2002; Gaspar, Masuch and Pill, 2002; Ehrmann et al., 2003).

Secondly, there is no substantive EU-level macroeconomic policymaking mechanism through which counter-cyclical policies can be implemented, due in particular to the relatively minuscule EU budget (limited to 1.27% of EU GNP, in comparison to around 40% for most national governments' budgets), which itself results from the absence of a political commitment to EU-level spending by the member states that control the budget of the EU. Nevertheless, whilst EU-level

reflationary measures are ruled out by the lack of a sizeable EU-level budget, the possibility does exist for member states to coordinate their macroeconomic policies through agreements reached at the European level. This coordination represents a distinct opportunity through which the pressures for a competitive 'race to the bottom'⁵³ can be avoided through the coordination of government policies and agreements (Schmidt, 2002: 51-6). However, the coordination of market-correcting policies through agreements reached at the European level has also been restricted by many of the limits to European policymaking outlined above.

The coordination of member states' macroeconomic policies has taken the form of either 'hard' or 'soft' coordination (Begg, Hodson and Maher, 2003). 'Hard' coordination refers to coordination with a legal basis and with sanctions for those that renege upon their commitments. However, this has been restricted to the controversial Stability and Growth Pact (SGP) which underpins the Euro. The SGP emerged as an attempt to retain and reinforce the budgetary constraints imposed upon member states by the convergence criteria in the TEU. The SGP therefore sought to institutionalise member states' commitment to keep their budgetary deficits within a 'reasonable' limit – i.e. 3% of GDP and tending towards balanced budgets. This was backed up by the possibility of the other member states imposing fines on recalcitrant governments that failed to heed the

⁵³ The term 'race to the bottom' refers to the risk that the integration of national markets may result in the deregulation of national markets being the only means through which national economies can compete, thereby creating pressures for national economies to deregulate in order to become the most attractive territory in which to conduct economic activity.

recommendations of the European Commission. Similarly to the monetary policy of the Euro, therefore, the fiscal rules of the Euro have been limited to those necessary in order to allow the currency to function. Indeed, whilst attempts were made (particularly by the French and Swedish governments) to put greater emphasis on indicators of growth (as opposed to just price stability), such as employment and the growth in GDP, these attempts were unsuccessful due to the lack of support amongst the other member states (Stark, 2001). The end result, therefore, is that the only area in which member states have achieved a 'hard' coordination of their macroeconomic policy has been in the creation of restrictions upon the scope of market-correcting policy. Attempts to take 'hard' coordination further have run up against the opposition of one or more of the veto players operating in the multi-level European polity.

On the other hand, 'soft' macroeconomic policy coordination, which refers to voluntary coordination without any form of pecuniary penalty for non-compliance, has developed throughout the 1990s, in particular in response to the growing perception that deeper European economic integration, and specifically the advent of EMU, required governments to be able to coordinate a European response to increasingly interdependent economic problems and issues (Italianer, 2001: 92; Deroose and Langedijk, 2002: 207-9; cf. Beetsma, Debrun and Klaassen, 2001). Thus, the Maastricht Treaty introduced the Broad Economic and Policy Guidelines (BEPG), the November 1997 Luxembourg summit created the Employment Guidelines, the 1998 Cardiff European Council introduced a coordination of national attempts to improve the functioning of product and capital markets, and the Lisbon Summit in 2000 coined the term

'open method of coordination' to describe its attempts to adapt Europe to the new 'knowledge-based economy' (DG Economic and Financial Affairs, 2002). Whilst there has been greater success than in the area of 'hard' coordination in achieving 'soft' coordination of member states' macroeconomic policy, these policies are obviously susceptible to the criticism that they have no substance due to the lack of penalties for non-compliance. Thus, integration of macroeconomic policy appears acceptable to the member states, provided the policy itself is non-binding (on the limited effect of OMC, see Hodson, 2004; for a more optimistic assessment see Borrás and Greve, 2004). Further, the form of the macroeconomic policy agreements reached tend to be highly moderate and market confirming, rather than market correcting, measures.

A clear illustration of the limits upon market-correcting macroeconomic policy coordination by the EU member states can be seen in the case of the Broad Economic Policy Guidelines (BEPGs). The BEPGs were introduced as a policy tool of the European Union in the Maastricht Treaty under Articles 102a and 103 (post-Amsterdam these became Articles 98 and 99). Articles 2 and 4 of the EU treaty commit the member states to promote 'a high level of employment', 'sustainable and non-inflationary growth' (Art. 2), and 'the adoption of an economic policy which is based on the close co-ordination of Member States' economic policies' (Art. 4). In accordance with these principles, Article 98 commits the member states to the 'principle of an open market economy with free competition'. Article 99 sets out the procedure to be followed in formulating the BEPGs. This amounts to an annual process of Commission recommendations and EU Council and European Council decisions that produce in June of each

year the BEPGs that should be used to guide national government economic policy for the coming year. The BEPGs have generally been used to promote a policy mix that combines sound budgets, responsible wage trends, and corresponding monetary conditions. In particular, they have focused on the limitation of budgetary deficits and the fostering of flexible and efficient product and labour markets. The scale of the BEPGs has been growing since their inception. Thus, whilst the first BEPGs produced in 1993 were a short document of 4 pages, they have since grown to focus on more detailed economic policies and indicators and to provide more concrete country-specific guidelines. Whilst the BEPGs are politically binding, they are not legally enforceable. Thus, there are no sanctions placed upon a recalcitrant member state apart from a (potentially public) recommendation⁵⁴, in other words, peer group ‘naming and shaming’ (DG Economic and Financial Affairs, 2002: 10-16)

Attempts have, however, been made to strengthen the degree of ‘soft’ macroeconomic policy coordination and, to this end, in June 1999 the Cologne European Council decided to set up a Macroeconomic Dialogue at the EU-level. This sought to incorporate EU and member state economic policy decision makers and representatives of the social partners in a dialogue aimed at promoting non-inflationary growth and employment. Thus, the Cologne process (as it came to be known) sought ‘to bring about strong growth in employment while maintaining price stability ... [, which itself required,] fiscal policy, monetary

⁵⁴ This occurred for the first time in February 2001 following the pursuit by the Irish government of an inflationary and pro-cyclical economic policy in contravention of the country-specific recommendation of the 2000 BEPGs (DG Economic and Financial Affairs, 2002: 14).

policy and wage developments [to] interact in a mutually supportive way' (European Council, 1999). The Cologne process therefore sought to agree a macroeconomic policy between major economic policy actors in order to achieve employment and growth. The results of this process are fed into the BEPGs each year, although there is no public announcement or publication of the decisions reached through the dialogue (DG Economic and Financial Affairs, 2002: 39-41). However, despite the prevalence of social democratic parties in government across the European Union during 2000 and 2001 (with 11 out of 15 member states being represented by social democratic governments of some form at the time⁵⁵), the BEPGs published in those years concentrated almost exclusively on market-building policies and limited market-correcting policies to highly moderate intervention on the supply side of the economy. Thus, the BEPG agreed by the Council in June 2000 recommended budgetary balance, 'responsible behaviour on the part of the social partners'⁵⁶, restrictions upon government spending, and attempts to foster a knowledge-driven economy. These initiatives included involving the private sector in the financing of research and development, stimulating market competition, providing 'adequate public support for the funding of basic research, the creation of centres of excellence and the provision of incentives for the establishment of better links between research institutes and

⁵⁵ Between June 2000 and June 2001 social democratic parties were the main party of governments in the UK, France, Portugal, Greece, Italy, Germany, the Netherlands, Denmark, Sweden and Finland; and were junior partners in the government coalition in Belgium. Thus, 11 out of 15 member states were represented in some way by a social democratic government.

⁵⁶ I.e. do not allow wage pressures to overprice labour.

business' (this was accompanied by an explicit warning that 'EC State aid rules must be strictly applied'), ensuring low-cost internet access, avoiding the compartmentalisation of research and strengthening education and training (European Commission, 2000). Thus, even when macroeconomic policy coordination could be agreed (albeit it in its limited 'soft' form), its content was of a highly market-confirming nature that did little to counter the pressures for market liberalisation or to reassert more traditional social democratic values given the increased opportunities for political intervention arising from the increased territorial scope of the European Union. Obviously this reflects to a certain extent the policy preferences of the member states (and their social democratic governments) themselves; however it also reflects the absence of a tradition of market-correcting policymaking at the EU-level, and the difficulties faced in adopting more substantive policy initiatives through supranational cooperation.

A second illustration of the limits to soft coordination can be seen in the case of the Lisbon process. Indeed, at the Lisbon summit of 2000 the leaders of the European Union agreed that the new 'Open Method of Coordination' would be employed to achieve economic and social reforms that would ensure that the EU had 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'. However, over four years later, the outgoing European Commission President, Romano Prodi, was clear that much of the political potential of Lisbon had dissipated, resulting in the process becoming a "failure". He was equally clear that the reason for the failure was the inability of the governments to be able to reach agreement and adopt feasible policies within an

institutional set-up that contains so many veto players, stating that, “you can’t have unanimity in all economic areas, or if you do, you must accept the failure of Lisbon” (quoted in Financial Times, 25 October 2004).

In sum, the development of macroeconomic policy coordination at the EU-level has been seriously hindered by the obstacles to European integration. Whilst ‘hard’ coordination has been limited to the technical requirements necessary to implement the SEM and Euro, ‘soft’ coordination has been limited to the adoption of market-building measures that require much less actual agreement over the substance of public policy and less delegation of national competencies.

Social Policy

If we turn now to the development of EU-level social policy, again we see a ‘minimalist’ process in which supranational policy integration is hindered by ‘institutions that make reform difficult, limited fiscal resources, jealous member state protection of ‘state-building’ resources, and an unfavourable distribution of power among interest groups’ (Leibfried and Pierson, 2000: 268-9). Despite these problems, (predominantly social democratic) advocates of a social element to European integration have consistently pushed for further integration of EU-level social policy to compliment the development of European economic integration, an approach most famously advocated by the ex-Commission President and French Socialist Jacques Delors (Ross, 1995; Falkner, 2000; see Beck, van der Maesen and Walker, 1998, for a collection of essays arguing for a more ‘social’ European Union). This pressure for European social integration

has resulted in the creation of a framework of legislation which aims to protect workers' rights and ensure gender equality, labour mobility and health and safety standards in the workplace (for detailed summaries of these policies see Kleinman, 2002; Hantrais, 2000; Threlfall, 2002; Falkner, 1998, 2000; Leibfried and Pierson, 2000, 1995b; Geyer, 2000; Nielsen and Szyszczak, 1997). Nevertheless, the development of these policies has been hampered by the limits to European public policymaking identified above. Thus, EU-level social policy is characterised by a concentrated focus on labour market regulations that have been necessary for the creation of the single European market, with attempts at more redistributive social policy running into the limits to European integration outlined above. Thus, EU social policy has been variously described as an 'empty shell' (Falkner, 2000), 'neo-voluntarist' (Streeck, 1996), and a 'constitutional asymmetry between policies promoting market efficiencies and policies promoting social protection and equality' (Scharpf, 2002: 645). European-level social policy can probably most accurately be described as a process of creating a minimum framework of labour market regulation in order to allow the much greater project of European economic integration to occur. What follows is an attempt to summarise this process and to illustrate the way in which the development of EU-level social policy has been significantly hindered by the problems of achieving supranational policy integration outlined above.

The negotiation of the Treaty of Rome saw divisions between member states that favoured the liberalisation of trade within the EC (a view propounded most vocally by Germany) and those states that also wanted the partial harmonisation of some aspects of social and labour costs (France being the key

protagonist in this camp) (Falkner, 2000: 186). Thus, whilst member states could agree on the desirability of economic liberalisation (Moravcsik, 1998: 86-158), disagreement over the harmonisation of social policy, combined with the necessity of unanimous agreement in order to delegate policy competencies to the European level, meant that the final Treaty contained only 'a small number of concessions for the more 'interventionist' delegations' (Falkner, 2000: 186)⁵⁷. These initiatives were specifically focused upon the minimal technical requirements necessary for the successful operation of the common market, which represented a more substantial initiative around which the member states could reach agreement. This practice of focusing predominantly on market-building initiatives, and subordinating the development of social policy to reaching this end, was one that was to be repeated throughout the EU'S history.

Following the agreement of the Treaty of Rome, developments in European level social policy were restricted throughout the 1960s and 1970s to the framework adopted in that initial Treaty. However, despite having reached agreement in principle on the adoption of a number of social policy measures, the limits to European integration resulted in a series of delays in actually implementing these measures. Thus, in 1960 the ESF was established, in 1975

⁵⁷ These concessions were located within articles 117-128 on social policy, which provided for the improvement of working conditions (art. 117), closer cooperation in the social field⁵⁷, vocational training, working conditions and social security (art. 118), the principle of equal pay for equal work by men and women (art. 119), the right to paid holidays (art. 120), and the establishment of the European Social Fund (ESF) to improve employment opportunities and increase geographical and occupational mobility (arts. 123-8) (Threlfall, 2002; Kleinman, 2002; Hantrais, 2000).

Directive 75/117/EEC on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women was adopted, and in 1979 Directive 79/7/EEC on the progressive implementation of the principle of equal treatment for men and women in matters of social security was passed. However, the minimalist framework of provisions created by the Treaty of Rome, coupled with the principle of unanimity and the reluctance of member states to cede sovereignty unless it was strictly necessary, meant that little further progress was made in the sphere of European-level social policy until the first major treaty reform with the adoption of the Single European Act (SEA) in 1987 (Kleinman, 2002).

Yet, as was the case with the Treaty of Rome, the member states were unable or unwilling to reach any substantive agreement on social policy when negotiating the SEA, resulting in a 'minimal' social dimension to the Act (Kleinman, 2002). The exceptions to this were a new article 118a, which allowed decisions on worker's health and safety to be made by qualified majority voting, and a new article 118b, which provided for a social dialogue between the social partners (i.e. representatives of business and workers) to be held at the European level (Kleinman, 2002). The introduction, under article 118a, of QMV (for the first time in the area of social policy) represented a substantial route out of the stalemate that had been experienced by would-be policy/legislative entrepreneurs facing the impasse created by the unanimity requirement (Falkner, 2000: 187). This was later used by advocates of a more 'social' Europe (particularly within the Commission) to introduce social legislation that only tentatively came under the remit of health and safety, including the Atypical Work

(health and safety) Directive in 1991, the Maternity Directive in 1992, and the Working Time Directive in 1993 (Leibfried and Pierson, 2000: 273; Hantrais, 2000: 72-3).

However, the bulk of the SEA was focused on creating the single European market, and as a side-issue resulted in a renewed effort by social democrats to achieve a social element to the project of European integration. This attempt produced its first major achievement in December 1989 with the agreement of the Community Charter of the Fundamental Social Rights of Workers (or the 'Social Charter', as it came to be known). However, even this significant victory for the proponents of a more social democratic Europe was significantly limited by both the reluctance of member states to cede too much sovereignty to the European level, and in particular by the outright opposition of the UK which resulted in that country's opt-out from the Charter. The Social Charter that was eventually adopted by all the member states except the UK was a non-binding statement committing the member states to harmonise and improve work contracts, the social dialogue, the right to a weekly rest period and annual paid leave, health and safety regulations, training for young people, and to continue to ensure equal pay and work opportunities for men and women (Kleinman, 2002; Hantrais, 2002).

The Maastricht Treaty was also hampered by the difficulties faced in trying to agree the integration of social policy between 12 sovereign member states, and the need to achieve unanimous agreement between the member states in order to make treaty amendments. In particular, the continuing intransigence of the UK government meant that the main body of the Treaty left social policy

almost completely unchanged. The changes that were made in the area of social policy were adopted through the innovative use of the Protocol on Social Policy annexed to the EC treaty, which applied to all of the member states except the UK (Falkner, 2000: 191). The Social Protocol introduced the possibility that agreements reached under the social dialogue could be adopted as legislation by the member states, introduced decision making by QMV in the areas of working conditions, the information and consultation of workers, equality between men and women, new European-level competences in the areas of social security and social protection of workers, protection of workers made redundant, the representation and collective defence of workers and employers, conditions of employment for third-country nationals, financial contributions for job promotion (each of these new areas were subject to unanimous decision making), and the statement that there should be no prevention of member state's positive discrimination for women (Threlfall, 2002; Kleinman, 2002; Hantrais, 2000). Again these developments were restricted almost entirely to the labour market, and again they were severely limited by the desire by member states to retain national autonomy in an important area of national policy making, thus maintaining the principle of unanimity for all of the more controversial areas ceded to the EU-level.

Whilst the agreement of the Amsterdam Treaty in 1997 coincided with the inauguration of the new Labour government in the UK and the 'plural left' government in France, there was little direct development in the area of EU-level social policy besides the formal incorporation of the Social Protocol into the EC Treaty as the new Social Chapter and the adoption of the Employment Chapter

(which encouraged, but did not force, member states to focus on areas such as employability, entrepreneurship and adaptability). Indeed, despite a few significant Directives on parental leave⁵⁸, atypical work, sex discrimination, and working time, there were few substantial developments in the sphere of social policy at the EU-level throughout the 1990s. These trends continued into the 2000s. Attempts to implement social policy at the EU-level repeatedly ran into difficulties with the need to secure the agreement of national states unwilling to cede sovereignty in this area. Thus, the Fundamental Charter of Human Rights was adopted as part of the Nice Treaty in December 2000, but only in a declaratory, non-binding form due to reluctance by certain member states to incorporate the Charter into their own legal systems. Finally, the adoption of the Temporary Workers' Directive, which is currently working its way through the institutions of the European Union, has been repeatedly blocked due to opposition within the Council (particularly by the UK government) to certain terms of the draft Directive. On the other hand, those attempts to produce a social element to EU-level policymaking that have been successful have continued the trend observed above of being specifically focused in the area of the labour market, and also being of a very specific and technical nature. Thus, the 2000s have seen the adoption at the EU-level of the Asbestos Directive, Scaffolding Directive, Noise Directive and Vibrations Directive. Whilst these may have an impact upon their specific areas of national legislation, they hardly represent the kind of market-correcting measures anticipated by the social democratic turn to Europe.

⁵⁸ Directive 96/34/EEC on parental leave was the first to be adopted under the new social dialogue arrangements introduced under the Social Protocol of the Maastricht Treaty.

Worker Participation

Finally, I want to turn now to a more in-depth study of the development of EU-level legislation on worker participation. This is a policy area that is of particular importance to social democrats and an area where legislation has been widely sought by social democrats advocating a more 'social' European Union. Worker participation represents a key area for social democrats as it seeks to promote and implement the democratic incorporation of employees into economic decision making in a way that would not occur within a (hypothetical) 'pure' market economy. In this way, worker participation through agreements reached at the EU-level have the potential to redistribute power from employers to employees, to extend the democratic rights of citizens beyond formal political and civil rights to include social rights, and to facilitate democratic and political intervention in economic practices. In each of these ways, worker participation represents a key element in the attempt to implement market-correcting policies, and therefore represent a significant policy gain for social democrats seeking to reassert more traditional social democratic values at the EU-level. Indeed, as early as 1973, the Socialist Parties of the European Community had called for worker participation, co-determination and a works council in all businesses, on the grounds that, '[p]rogress towards democratic control of the economic process must be pursued', and that, '[f]or effective democratic control in the economic sphere democratization of control over investments and the powers of decision as

to their distribution is essential'⁵⁹ (SEC, 1973). However, with worker participation we once again see the effects of the significant limits to policymaking at the EU-level, resulting in particular in a consistent down-scaling of policy aims and increasing moderateness in policy outcomes. By taking a closer look at the development of worker participation policy and legislation at the EU-level we should be able to illustrate further still the effect of the limits outlined at the beginning of this chapter in restricting the scope of market-correcting policymaking at the European level.

Worker participation was barely mentioned during the first twenty years of European integration. Article 46 of the Treaty of Paris stressed the importance of informing and co-operating with the “primary market actors”, Article 48 encouraged employers to inform and consult with their employees, and the Treaty of Rome created the Economic and Social Committee, yet no European level legislation on worker participation in firms’ decision making until 1970 (Geyer, 2000: 93). However, in 1970, in response to both the increase in size of European companies and the need to facilitate greater economies of scale in order to remain internationally competitive, the Commission proposed a regulation for a European Company Statute. The European Company was to have a supervisory board, with tripartite representation of employers, employees and independent social representatives. The Statutes also proposed a works council, in which employees would be given rights to information, consultation and participation in

⁵⁹ Note that both the French Parti Socialiste and the PSI secured footnotes exempting them from this statement as it was felt in both cases that worker participation should not be seen as a replacement for more thoroughgoing democratic socialist collective ownership.

decisions on social issues. Following differences between the member states within the Council, however, the proposed Statutes were never agreed to (Danis and Hoffmann, 1995: 181; Lecher, Nagel and Platzer, 1999: 29). In 1972 similar initiatives were included in the proposed Fifth Directive but opposition by Italy and France meant that this proposal also failed to be agreed (Geyer, 2000: 94). Thus, the initial attempts to achieve some form of EU-level policy on worker participation failed to achieve the unanimous support of the member states necessary for its implementation.

In 1980 the Commission again sought to promote worker participation, this time in the form of the 'Vredeling' Directive (OJ 1980/C 297/3). The proposed Directive required firms with 100 or more employees to inform workers of the activities and concerns of their firm. Moreover, it required firms to consult employees at least 40 days prior to a decision that would have a substantial effect on the workforce. Finally, the Vredeling Directive gave employees the right to go directly to the firm's head office for information refused to the workforce by a subsidiary office. However, the rather minimal consultative rights to be given to the workforce under the Vredeling Directive failed to gain the approval of the British Conservative Government, and therefore meet the unanimity requirement. Faced with these difficulties the Directive had to be abandoned (cf. Blanquet, 1983; Falkner, 1998: 98; Geyer, 2000: 95). In 1983 and 1986 the Commission revised and downscaled the proposals in an attempt to make them acceptable to the member states, but opposition within the Council (particularly by the UK government) proved insurmountable (see the Council statement to this effect in OJ 86/C 203/01). The strict unanimity

requirement at the European level therefore combined with the opposition of (in particular) the British government to obstruct the possibility of any development at the EU-level in the area of worker participation or consultation in private firms.

However, the strategic terrain faced by proponents of European legislation on worker participation became gradually more amenable from 1989 onwards. The Social Charter included the commitment to promote the information and consultation of workers and the subsequent Social Action Programme launched to implement the Charter included an instrument on the information and consultation of workers. Thus, in 1990 the Commission proposed a European Works Council (EWC) Directive (OJ 91/C 39/10) which reduced the scope of the previous Vredeling Directive by leaving out the right of direct access to a firm's head office if a subsidiary failed to comply with its workforce. The Directive required firms to create some kind of procedure for the information and consultation of its workforce, stipulating a European Works Council as a fall-back option if employees and firms failed to agree on a suitable process. However, the EWC Directive made no progress through the European institutions until the Danish presidency of early 1993 announced its intention to reach an agreement on the draft Directive. By this time the formal adoption of the Maastricht Treaty (which was to occur in September 1993) was within sight. The Social Protocol (attached to the Maastricht Treaty) brought with it the possibility of passing Social Policy legislation, including on the information and consultation of workers, by a qualified majority vote by the 11 signatory member states of the Social Protocol. However, the June 1993 Social Affairs Council failed to reach agreement, even without the British Government, due to differences between the member states

over the size of companies to be included under the Directive and over the possibility of exemptions for merchant navy ships (Falkner, 1998: 99-101). Again, therefore, difficulties in reaching an agreement between the member states, combined with the large number of veto players in the European level game, threatened the progress of the Directive. In an attempt to break this deadlock the incoming Belgian presidency of July 1993 proposed a new compromise text to the Council, in which the form of information and consultation was no longer dictated within the text (thereby removing the necessity of an EWC as a minimum level of agreement). Despite this latest concession, however, the member states were still unable to reach an agreement on the Directive (Falkner, 1998:101).

In an attempt to get around this stalemate, Padraig Flynn, the Commissioner responsible for Employment and Social Affairs, announced he would seek an agreement under the Social Protocol of the Maastricht Treaty. However, this required that agreement first be sought through the Social Dialogue between the Social Partners. This process began in January 1994 when a Commission proposal was presented to the Social Partners, who failed to reach an agreement due to the ETUC's demand for a legally binding Directive and UNICE's contrasting demands for flexibility in implementation and room for national diversity. In February 1994 a second diluted version of the draft Directive was presented to the Social Partners. Under this new proposal, consultation procedures would only be necessary if 500 or more employees, from at least 2 member states, requested it (whereas the previous proposals had required only a simple written demand). Moreover, the obligation of an EWC was again replaced by a general requirement for the information and consultation

of workers. Finally, the period within which agreement over how the information and consultation of workers would operate was extended from 1 to 2 years. Whilst this new proposal was nearly agreed by the Social Partners, objection by the Confederation of British Industry at the last minute, and the reluctance of UNICE to proceed despite their objection, led to a second deadlock between the Social Partners.

The inability to reach an agreement through the Social Dialogue left the path clear for a decision in the Council. The Commission presented another new draft to the Council (OJ 94/C 135/8), and on 23 June 1994 the Social Affairs Council adopted the proposal (ignoring most of the amendments proposed by the EP) by 10 votes to 0 (with the British exempt and Portugal abstaining) (Falkner, 1998:104-7; Geyer, 2000: 96). The new EWC Directive (OJ 94/L 254/1) covered firms with 1000 or more employees and with 150 or more employees in 2 or more member states. It required these firms to agree a process for informing and consulting with their workforce within 3 years of the date by which the Directive had to be transposed into national law (22 September 1996). Failure to reach agreement would result in the fall-back requirement that firms create a European Works Council as laid out in an annexe to the Directive. The historical development of the EWC Directive, therefore, saw a significant reduction in the scope of firms covered⁶⁰, an extension of the length of time allowed for negotiations before the automatic imposition of an EWC⁶¹, and an increased

⁶⁰ From 100 or more employees in the Vredeling Directive to 1000 or more and at least 150 employees in at least 2 member states in the EWC Directive.

⁶¹ From 1 year in the Commission's original 1990 proposal to 3 years in the adopted Directive.

reliance on voluntary agreements rather than legally enforced ones⁶². Moreover, there was no consideration of co-determination or worker involvement in firms' decision-making, strictly limiting the scope of the Directive to information and consultation⁶³. Thus, the substantial obstacles to policymaking at the EU-level resulted in the final adoption of a very moderate piece of legislation that merely secured the ability of the European workforce to passively receive information on their firms' activities (with no opportunity for an active input into the decisions themselves), and only according to strict criteria.

The main problem with the European Works Council Directive was that it was almost exclusively applicable to multinational companies and the rules of enforcing consultation were not clearly enough stated to ensure that the workforce would be consulted prior to major decisions. This failing was most acutely felt in 1997 when Renault closed its plant in Vilvoorde, Belgium, terminating 3000 jobs without any prior warning to the workforce. In response, the Commission sought legislation that would create a general requirement for worker consultation within companies across the European Union. The Commission initially sought an agreement through the Social Dialogue, but following the refusal by UNICE to enter into negotiations the Commission made its own proposal, on 11 November

⁶² Indeed, according to the responsible Padraig Flynn, "the success of the directive...will reside in the fact that its provisions will never need to be implemented" (quoted in Streeck, 1997: 28).

⁶³ Whilst the 1983 version of the Vredeling Directive included the requirement that management would have to seek an opinion from workforce representatives, the EWC Directive simply required that the EWC had the right to be informed and that 'this meeting shall not affect the prerogatives of the central management'.

1998, for a Council Directive establishing a general framework for informing and consulting employees in the European Community (OJ 99/C 2/03). The Directive was proposed under the Social Agreement of the Maastricht Treaty, which meant that the UK would be exempt from the proposals, which would need to be agreed by qualified majority vote and under the cooperation procedure in the EP.

The proposed Directive was adopted by the Commission following an internal vote on the issue. In particular, differences emerged over the range of firms to whom the legislation should be applicable. Pdraig Flynn, the Social Affairs Commissioner at the time, initially wanted the legislation to cover undertakings with at least 20 employees, whilst Neil Kinnock, Mario Monti and Emma Bonino wanted a much larger threshold of 100 employees (*Europe Information Service*, 11 November 1998). The proposal finally adopted covered all undertakings⁶⁴ with 50 or more employees. It included the possibility that a voluntary agreement could be reached at any level (including that of the firm) provided the member state in question agreed to it. The draft Directive required firms to inform and consult employees on the activities and development of the undertaking, in particular its economic and financial situation, anticipatory measures to be taken if employment is under threat (such as training and skill development), and decisions likely to lead to substantial changes in work organisation or in contractual relations. Information that 'would seriously harm the functioning of the undertaking or would be prejudicial to it' would be deemed confidential, and therefore would not be subject to the information and

⁶⁴ Defined as 'public or private undertakings carrying out an economic activity'.

consultation requirements contained in the Directive. Employee's representatives would be given 'adequate protection and guarantees' to enable them to carry out their duties under the Directive. Finally, the member states would be responsible for the enforcement of the Directive by creating 'adequate administrative or judicial procedures' and 'adequate penalties' which must be 'effective, proportionate and dissuasive'.

However, the British Labour Government soon emerged as the main opponent to the legislation and announced shortly after the publication of the Commission proposal that it felt that the legislation was too great an incursion into national sovereignty (an issue that the Conservative opposition was keen to press, particularly as the legislation would affect the UK once the Labour Government had ended the UK opt-out from the Social Charter). The UK Government announced that it had secured the support of the German government in opposing the piece of legislation (*Financial Times*, 12 November 1998). Yet, despite this opposition the proposal was submitted to the EP for its 1st Reading on 14 April 1999 where it was accepted with amendments, based on the report by Fiorella Ghilardotti (PES, Italy) (OJ 99/C 219/223). The Parliament felt that the draft Directive was too general and added amendments to make it more specific, particularly with regard to minimum requirements for information and consultation. The amendments also required that the social dialogue should be promoted in firms not covered by the Directive and stressed that the Directive should also apply to the public sector and the civil service. The EP also sought to make more specific the circumstances under which firms would be obliged to consult workers, stipulating that it should cover new production processes,

transfers of production, relocation, mergers and reductions in capacity or the closure of undertakings, plants or subsidiaries. The EP amendments also included the requirement that employees' representatives should be given legal protection and appropriate training. Perhaps most controversially, the amendments enabled firms to delay decisions that would have 'considerable adverse consequences for employees' in order that 'consultations may continue with the aim of avoiding or mitigating such adverse consequences'. Finally, the EP removed an exemption for firms with less than 100 employees to inform the workforce when their employment was under threat and also removed the exemption on employers' obligation to disclose information in areas that could be harmful to the employer.

Despite support for the Commission proposal within the European Parliament, opposition remained within the Council, led by the UK, which was supported by Germany, Ireland, Denmark and Spain. This was enough to halt the progress of the legislation, resulting in it being shelved by the German, Finnish and Portuguese Presidencies of 1999 and 2000. However, following the initiation of the Lisbon Process at the Lisbon summit in March 2000, and the succession to the Presidency of the French 'plural left' government in July 2000, the draft Directive was once again brought under consideration (*Financial Times*, 15 September 2000). This renewed commitment by the French Presidency led to the first discussion of the proposal at formal Council level on October 17. Yet the proposal was again to experience obstacles due to divisions between the member states with Belgium, Italy and Luxembourg preferring a threshold lower than firms with 50 employees and the UK claiming the issue should be the

preserve of the Member States (*European Information Service*, 18 October 2000). However, the deliberations were to take a turn against the UK in December 2000 when Germany, Denmark and Spain announced that they would drop their opposition to the legislation, leaving the UK and Ireland (and possibly Denmark) as the sole opponents to the legislation without enough votes to form a blocking minority under QMV rules. Under these conditions, the UK was forced to resort to a technical rule that the Council would not discuss topics unless they had been given 14 days' notice in order to stall discussion of the proposal at a Council meeting in December 2000 (*Financial Times*, 21 December 2000).

On 23 May 2001 the Commission presented its amended proposal to the Council and the EP, based on the EP 1st reading, the opinions of ECOSOC and CoR, and discussions within the Council⁶⁵ (OJ 2001/C 240 E/21). In this revised proposal the Commission made some minor concessions to the Parliament, leaving out its more substantial amendments. The revised draft proposal now applied to either undertakings with at least 50 employees or establishments⁶⁶ with at least 20 employees (the choice being left up to the individual member state). The exemption upon firms with less than 100 employees to consult with its employees was removed, in keeping with the EP amendment. Rather than

⁶⁵ On 1 May 1999 the Amsterdam Treaty came into effect, bringing the Social Protocol into the main body of the EC Treaty. The Commission therefore changed the legal base of the proposed information and consultation directive, bringing it under the new Article 137 (2), which required the co-decision procedure to pass it through the European institutions

⁶⁶ Defined as 'a place of business with no legal personality, which is part of an undertaking and where a non-transitory economic activity is carried out with human means and goods'

remove the exemption on employers, for whom to conceal information would seriously harm their undertaking, the Commission inserted an amendment creating the possibility of administrative or judicial appeal if employees felt this clause was being used unfairly. Further, the transposition period was extended from 2 to 3 years. The Commission omitted a number of EP amendments, including the requirement that member states should promote the social dialogue in small and medium-sized enterprises that are not covered by the Directive, the list of specific instances under which information and consultation would be required (new production processes, transfer of production, etc.), the postponement of decisions in order to have further consultation, details of the protection to be provided to employees' representatives, and the application of the Directive in the civil service.

However, the main opposition to the proposal had been within the Council, and in particular by the UK and Ireland, two countries for which formal worker consultation was not recognised practice in their national systems of industrial relations. Yet, by June 2001, the UK remained the only the Member State opposed to the proposal, and rather than face isolation in the Council (where it would anyway be unable to block the legislation), the UK chose to negotiate concessions from the Commission in exchange for granting its support for the draft Directive and thereby ensuring that it was adopted by unanimity. In particular, the Commission offered a seven year exemption to those countries without an existing law on worker consultation (in practice, this meant the UK and Ireland) and dropped plans for sanctions against companies in breach of the directive (*AFX European Focus*, 11 June 2001; *Financial Times*, 12 June 2001).

Following the acquiescence of the UK government the Council agreed a Common Position to the Commission proposal, with the negotiated concessions amended accordingly (OJ 2001/C 307/03).

Upon its second reading in the European Parliament, on 23 October 2001, the employment and social affairs committee adopted the report drafted by Italian Socialist Fiorella Ghilardotti, in which a number of amendments were made to the proposal. Most controversially, the committee sought to re-introduce sanctions for companies that failed to comply with the legislation. However, this amendment was rejected by the Parliament plenary session (Europe Information Service, 24 October 2001). Those amendments that were adopted by the EP in its second reading of the draft Directive (virtually all of which were rejected by the Commission in its Opinion adopted on 27 November 2001) included the requirements that consultation would occur specifically during the employer's planning stage in order that the employees could have some input (rejected by the Commission), that Member States should promote the social dialogue in small and medium sized enterprises not covered by the Directive (accepted by the Commission in principle but put in the opening recitals rather than in the main Articles), that information and consultation should occur under specific circumstances dictated by the Parliament (rejected), that there would be legal protection and appropriate training for employees' representatives (rejected) and that member states would investigate ways to implement the Directive in public administration (accepted in principle but placed in the recitals rather than the main Articles). Further, the EP sought to remove the transitional provisions created in the Council for Member States with no existing arrangements for the information

and consultation of employees (which the Commission refused) (OJ C112 E/119).

Failure to reach an agreement between the Council and the Parliament meant that a further attempt at agreement had to be made in the Conciliation Committee, where an agreement was finally reached on 17 December 2001. The final directive, Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community, has as its stated purpose, the establishment of 'a general framework setting out minimum requirements for the right to information and consultation of employees in undertakings or establishments within the Community'. It covers undertakings with at least 50 employees or establishments with at least 20 employees. It stipulates that information and consultation should cover 'activities', the 'economic situation', 'any anticipatory measures envisaged, in particular where there is a threat to employment', and 'changes in work organisation or in contractual relations'. Further, information must be given with enough time for employees' representatives to conduct a study and prepare for consultation. Moreover, consultation should occur in a way that enables employees' representatives with enough time to gain a response from the employer. The adopted Directive also allowed for the social partners to create, independently, their own arrangements for the information and consultation of workers. Confidential and potentially harmful information need not be given to the employees and the employees' representatives, respectively, according to the Directive. However, the Member States must create administrative or judicial review procedures in order to ensure that the employer does not conceal information illegitimately. Further,

employees were to be given 'adequate protection and guarantees to enable them to perform properly the duties which have been assigned to them.' Member States are also obliged to 'ensure that adequate administrative or judicial procedures' are in place to enforce the Directive, and 'provide for adequate sanctions' in the event of infringement. The transitional provisions eventually agreed between the Council and the EP enabled countries with no existing arrangements for the information and consultation of workers to restrict the scope of the Directive to undertakings with at least 150 employees or establishments with at least 100 employees until 23 March 2007, and to undertakings with at least 100 employees or establishments with at least 50 employees until 23 March 2008. The Directive had to be transposed into national law by 23 March 2005 and a review by the Commission conducted by 23 March 2007 (OJ 2002 L80/29). Thus, whilst the length of time in which the UK and Ireland would have in order to implement the Directive in full was reduced from 7 to 6 years (as a concession to the EP), the issue of sanctions for recalcitrant firms was left to the discretion of the implementing member state, as was the issue of the social dialogue for firms and public sector bodies not covered by the Directive (thus overruling EP demands in order to assure the consent of the Member States) (*Financial Times*, 18 December 2001; *European Information Service*, 19 December 2001).

Whilst agreement had finally been reached on workers consultation legislation at the EU-level, the final agreement represented a significant moderation of the initial goals of the social democratic movement, with both the length of time needed to reach an agreement and the moderate nature of that agreement each resulting from the limits to European political integration and the

decision making process at the EU-level. In particular, the agreement referred solely to consultation, and therefore created no means for workers to have an input into the decision making process as a result of that consultation. Further, the workers consultation directive represented the culmination of 21 years of advocacy (from the initial publication of the Vredeling Directive to the eventual adoption of the workers consultation directive) by the Commission and the European labour movement for some kind of legislation on worker consultation, with the end result being a piece of legislation limited entirely to consultation and with no agreement reached on any kind of sanctions for those firms that failed to comply. This is the kind of legislation that Streeck refers to as 'neo-voluntarist' due to the insubstantive nature of agreements reached and the lack of coercive methods of enforcing compliance to accompany such legislation (Streeck, 1996). Thus, in witnessing the development of worker consultation legislation at the European level we see a clear illustration of the limits existent at the EU-level - in particular the lack of popular pressure for EU-level legislation and policymaking, the predominance of governments and peak-level organisations in the decision-making process, the high levels of consensus needed to reach an agreement, and the presence of such a large number of veto players – and the effect that these limits have on the possibilities for market-correcting policymaking at the European level.

The erosive effect of European integration upon market-correcting policies

Having illustrated the substantial limits to market-correcting intervention at the

European level, and the effect these have had on the development of supranational market-correcting policy outcomes, we need also to understand how European integration has affected the scope for such policies at the national level, in order to assess whether European integration has increased or restricted the scope for market-correcting policymaking. The effect of European integration upon state-society relations has become a widely debated and researched area of political science (see, for instance, Menz, 2003; Verdier and Breen, 2001; Mény et al., 1996; Knill and Lenschow, 1998; Knill and Lehmkuhl, 1999; Börzel and Risse, 2000; Héritier et al., 2001; Cowles et al., 2001). Whilst there is a general agreement amongst commentators that the European Union acts to limit the scope for autonomous political intervention at the national level due to the pressures for policy harmonisation arising from the functional requirements of sustaining a single European market and single currency, there is nevertheless disagreement over both the degree to which this is the case, and over the degree to which the national level is able to resist these pressures for policy harmonisation (Schmidt, 2002: 39-58).

The two most substantial elements of European integration – the Single European Market and the Euro – both represent a significant integration of the national economic systems of the member states. Indeed, whilst ‘the task of ‘completing’ the internal market remains unfinished’, nevertheless the underlying aim remains the creation of a single European market in which national distortions and obstacles to economic flows are removed (Young and Wallace, 2000: 85). Thus, two of the most central aspects and most complete elements of European integration actually act to reduce the scope for autonomous decision making at the

national level. Indeed, the creation of the Euro represents the total removal of an autonomous national monetary policy for the member countries, whilst the Growth and Stability Pact represents a sizeable erosion of national autonomy in the areas of fiscal and macroeconomic policy. Further, the integration of national economies within the single market also engenders a process of competitive deregulation, whereby, in the words of Fritz Scharpf,

The loss of national boundary control and lower costs of transportation and communication make it easier for investors and producers to avoid burdensome national regulations and taxes, and for consumers to avail themselves of products produced under more attractive regulatory and tax regimes. To the extent that governments depend on keeping capital, firms, and production within the country in order to provide jobs, incomes, and revenue, they must also be concerned about the possibility that their own regulations and taxes may drive capital, firms, and jobs out of the country. Increasing international mobility thus creates the conditions in which territorial states are forced to engage in regulatory competition against each other in order to attract or retain mobile factors of production (Sharpf, 1999: 89).

However, despite the erosion of national autonomy produced through the process of European integration, a number of commentators have been keen to point out the degree to which these pressures can be resisted at the national level (Menz, 2003; Smith, 2001). In particular, these scholars have identified the incompleteness of the process of convergence around a minimalist macroeconomic policy by member states, thereby illustrating the possibility of

retaining divergent (market-correcting) policies at the national level. Yet, despite the possibility of varying national responses to the process of EU-led liberalisation, the pressure emerging from the EU-level remains, according to this analysis, one of liberalisation, market-building and convergence – thereby limiting the scope for national-level market-correcting measures. The implication, therefore, is that existing national variations from the liberal market model remain in place despite (rather than because of) the pressures arising from European integration.

However, other scholars have sought to show how European integration has actually increased the autonomy of the nation state. For instance, Franzese and Mosher (2002) go one stage further than those that argue that market-correcting intervention at the national level is still possible. They argue, instead, that the beneficial economic effects produced by the improved conditions for trade and economic activity by the process of creating the SEM will actually enrich the economic actors within the nation state (and therefore the nation state itself), thereby enhancing the degree to which the state can intervene to control, regulate and manage the national economy. Thus, they claim that,

proponents' hopes and opponents' fears regarding the EU's free trade agenda forcing convergence on some brutal institutional, policy, and cultural minimalism are ultimately unfounded (Franzese and Mosher, 2002: 198).

Yet, Franzese and Mosher reach these conclusions not through empirical observation, but rather through abstract argument. Following the theory of

comparative advantage, they claim that the benefits of trade – i.e. increased production in all countries through specialisation in production and trade in the commodity in which they have a comparative advantage – will increase the economic surplus available for spending by the member state and therefore offset and temper, rather than exacerbate, the tendency for competition to produce convergence around the most efficient/liberal model. However, this argument seems flawed by its conceptual distinction between free trade, on the one hand, and political intervention, on the other. Indeed, Franzese and Mosher claim that an increase in free trade, on the one hand, will produce an increase in productivity and overall production, and therefore wealth, that will enable, on the other hand, increased political intervention in the economy. But here they seem to have misrepresented the concepts of free trade and political intervention. The problem is that free trade precisely is a lack of political intervention, and political intervention is an incursion upon free trade. Thus, free trade and political intervention are two mutually-exclusive phenomena. So, to claim that free trade might enable political intervention to be strengthened is unfounded due to the mutually-exclusive nature of the two activities. To return to the more concrete question at hand, the creation of the single European market and the Euro both represent substantive economic integration within the territorial space of the European Union/Euro zone. This economic integration inevitably, and by definition, represents an attempt to reduce the scope for autonomous political intervention in the economy at the national level⁶⁷. The process of European

⁶⁷ Whilst there is a possibility that the absolute quantity of money spent on market-correcting measures will increase, this would still represent a decrease in intervention in relative terms arising from the process of European integration.

economic integration, therefore, thus far represents a reduction in the extent to which market-correcting measures can be sought through national-level institutions.

6.2. The development of a 'counter-globalisation' agenda at the EU-level

The foregoing illustrates the way in which the scope for market-correcting policymaking at the EU-level is heavily constrained by the limits to European integration. Further, the process of European integration has acted to limit the scope for market-correcting policymaking at the national level. Thus, overall, the process of European integration has compounded the declining scope for market-correcting policymaking across the multi-level European Union. Despite this, and in accordance with the claims made in chapter two, a social democratic agenda has developed at the European-level which views engagement with the EU as a means to counter the reduced scope for autonomous policymaking at the national level arising from the process of 'globalisation'. According to adherents of this view, the EU-level represents an attempt to retain a political role for advocates of democratic, redistributive and egalitarian policies despite the erosion of political agency implied by the ascendancy of 'globalisation', thereby maintaining the viability of the social democratic strategy, despite the necessity of moderating social democratic aims at the national level. Further, the non-realisation, and, indeed, non-promotion of a more substantive 'traditional' social democratic agenda at the EU-level will be shown to be viewed by many of the proponents of this 'counter-globalisation agenda' as the logical (and

legitimate) corollary of the obstacles to European integration, rather than arising from the failure of the social democratic strategy itself. Drawing on both official party archives and a series of qualitative interviews with social democratic actors operating at the EU-level, evidence will be provided to support the claim made in chapters two and three - that the need to pursue, but not achieve, the implementation of market-correcting goals in a form that fails to expose the fundamental error of the social democratic strategy, has been achieved through the promotion of redistributive and regulative policies at the European level (where the failure to implement, and indeed promote, market-correcting policies can be understood to arise from the (legitimate) obstacles to European integration that prevent their realisation).

A growing 'counter-globalisation' agenda has developed amongst social democratic actors operating at the European level which compliments the social democratic turn to Europe witnessed at the national level in the preceding chapters. This agenda portrays increasing social democratic coordination and cooperation at the EU-level as a means to overcome the problem in implementing market-correcting policies experienced by social democratic parties operating at the national level. Thus, by promoting an interventionist agenda at the EU-level, social democrats are able: a) to maintain a degree of ideological continuity despite the retrenchment of social democratic goals at the national level; and b) promote a social democratic alternative within the multi-level European polity, thereby legitimating social democracy as a coherent political alternative to the conservative neo-liberalism espoused by parties of the centre-right (on the way in which social democratic parties have been able to distinguish themselves from the

centre-right at the EU-level, see in particular, Gabel and Hix, 2002; Hix, 2002b; Kreppel and Hix, 2003; Hooghe and Marks, 2002).

Social democratic activity at the EU-level is predominantly centred around the PES group in the European Parliament⁶⁸ and the PES party federation⁶⁹ (Hix and Lord, 1997). The origins of this European-level social democratic cooperation emerged at the very beginning of the process of European integration with the creation of a Socialist Group in the Common Assembly of the European Coal and Steel Community in September 1952, formed by representatives from members of the Socialist International (SI). From this beginning, social democratic cooperation was formalised within a Liaison Bureau between the six SI parties located within the EEC member states following the agreement of the Treaty of Rome. The six parties also agreed to hold biannual congresses, attended by the Bureau, the socialist members of the European Parliamentary Assembly (EPA), and representatives of the national parties. The Congress, Bureau and Socialist Group in the EPA were each committed to discussing, agreeing, coordinating and promoting a cohesive socialist/social democratic agenda vis-à-vis the process and institutions of European integration. Thus, by the time of the fourth Socialist Congress, in May 1960, the social democratic parties that collectively formed the Socialist Group could agree that,

in the present stage of European integration, it is necessary that the socialist parties...work out a common European programme; that this programme should define

⁶⁸ The PES Group in the EP will be referred to as the PES group from here onwards.

⁶⁹ The PES party federation will be referred to as the PES from here onwards.

the principles that must serve as a guiding line to the socialist parties and to the Socialist Group in the European Parliamentary Assembly in the formulation of their opinions regarding the problems of European integration (quoted in Hix, 2002a: 13).

Social democratic cooperation continued to progress well, and in 1973 the Liaison Bureau changed its name to the Office of the Social Democratic Parties of the European Community (SEC) and produced a new document, *Towards a Social Europe*, which was adopted by the ninth Congress in Bonn. Both of these developments were an attempt to appease the socialist parties who were members of the original six member states of the ECSC, and who feared that inclusion of the Danish Social Democrats and the British Labour Party would undermine the federalist dynamic underlying socialist cooperation (Hix, 2002a: 20). *Towards a Social Europe* outlined a 'traditional' social democratic agenda to be promoted within the EC, including a commitment to EC social policy, full employment, equality of opportunity, an EC industrial policy, environmental regulation, the pan-EC standardisation of social benefits, worker participation and an EC incomes policy⁷⁰ (Hix, 2002a: 21).

In 1974 another new step in the development of cooperation between the EC's social democratic parties took place with the inauguration of the Confederation of the Socialist Parties of the European Community (CSPEC). The CSPEC replaced the preceding Office and Congress, and became the main organisational forum through which socialist cooperation would now take place

⁷⁰ The Italian PSI and French PS opted out of the commitment to worker participation on the grounds that the policy respected the subordination of labour under capital (Hix, 2002a: 21).

(whilst there was very little in the way of actual institutional change other than the name change, yet the new name represented a symbolic deepening of socialist cooperation⁷¹). These developments marked the beginning of the social democratic turn to Europe and its basis in the need to accommodate extra-national developments and increasing international integration. Thus, the SEC agreed that,

The larger market in Europe is now characterized by mergers giving rise to concentrations of power which escape any form of control by the Member States. What is lacking at the European level is a political body endowed with powers of its own and subject to control by an effective, directly elected Parliament. ...

Because of the scale of the common market and the interdependence of the various States, the task of gearing production to social objectives can only be carried out at the European level, and then only if world-wide solidarity is brought to bear (SEC, 1973).

Noticeably, at this point European integration was identified as a greater problem for social democratic interests than global economic interdependence. However, this began to change as 'globalisation' and 'internationalisation' came to feature in social democratic discourse as one of the biggest challenges facing social

⁷¹ Indeed, perhaps the most substantive change introduced by the inauguration of the CSPEC was a new rule which stated that a two-thirds majority of the Congress could impose binding decisions upon national parties (although it needs to be borne in mind that the possibility of imposing this rule seems remarkably slim given the balance of power between national parties and the CSPEC/Congress).

democracy, resulting in an increase in the frequency of references to the need to overcome constraints existing at the national level through social democratic support for, and engagement with, European integration. In short, what began as a coordinated attempt to affect the political agenda at the European level per se soon developed into a more specific attempt to re-regulate 'globalisation' at the EU-level; for the purposes of this thesis I shall refer to this line of discourse as a social democratic 'counter-globalisation' agenda. This agenda became increasingly visible throughout the 1980s. For instance, the 1982 CSPEC Congress agreed a resolution outlining an alternative to the monetarism which was being successfully promoted by the parties of the centre-right across Europe at the time, stating,

the European Monetary System should be used as an instrument for better control on capital movements and for improved mutual assistance whenever one of the members' currencies comes under speculative attack (CSPEC, 1982).

Further, the CSPEC's manifesto for the 1984 EP election explicitly outlined the need for a coordinated European-level solution to the ongoing recession of the early 1980s:

Although an entire series of measures should and could be taken on the national level, in Europe, it is difficult to escape the crisis by "going one's own way". On the other hand, the fact the economies of the countries of the European Community are highly integrated offers vital conditions for seeking a common solution to the crisis. A

limited amount of common action and cooperation would already enable a number of obstacles to be removed which stand in the way of national policies for economic recovery. The possibility for a coordinated European expansion is an excellent example. In brief, cooperation which paves the way for social progress must replace competitive austerity (CSPEC, 1984)⁷².

The European level, therefore, was increasingly coming to be viewed as a viable alternative to the austerity measures successfully being pursued by the conservative neoliberal right at the national level. This continued throughout the 1980s and was the basis for the CSPEC member parties' support for both the Social Charter and EMU (albeit supplemented by demands for greater democratic accountability). The development and promotion of this ascendant 'counter-globalisation' agenda did, however, quickly run up against problems within the CSPEC in attempting to agree and coordinate joint policies between the member parties. For instance, attempts to formulate a joint position on the 1985 IGC eventually had to be aborted due to the opposition of the British Labour Party and the Danish Social Democrats (Aust, 2004: 182-4; Hix, 2002a: 32-50).

It was arguably not until November 1992, when the CSPEC became the Party of European Socialists in response to the inclusion of the party article (138a) in the Maastricht Treaty, that EU-level cooperation between social democratic actors began to take on a more substantive nature (Ladrech, 2000). Indeed, the creation of the PES included the adoption by the member parties of some

⁷² However, the Italian PSI and PSDI both opted to support the Draft Treaty on European Union, which formed an alternative manifesto for their EP election campaign.

important changes to the statutes of the old CSPEC, including two new important aims 'to prepare structures for an ever closer collaboration between European socialists and social-democratic parties' and 'to adopt a common electoral programme for European parliamentary elections', and the establishment of a qualified majority decision making process in order that the PES could reach joint decisions through qualified majority voting by the member parties (Hix, 2002a: 60-1).

One of the first substantive policy outcomes to result from this renewed party integration was the Larsson Report. The Larsson Report was drafted by Alan Larsson, the ex-finance minister from the Swedish Social Democratic government, who was requested by the party leaders' summit meeting in Portugal in September 1993 to draft a report on how European social democrats could solve the European Union's growing unemployment problem. Following widespread consultation by Larsson with the party leaders' personal representatives, the report was adopted at the party leaders' summit in Brussels in December 1993. The Larsson Report, entitled *The European Employment Initiative* (later to become *Put Europe to Work*), represented a comprehensive statement of social democratic ambitions at the EU-level and formed the basis of PES policy throughout the 1990s, with the PES group often referring to it as central to their approach to combating, in particular, unemployment (Bailey, 1999). The Report offered a programme to tackle the mass unemployment which had come to characterise Europe (totalling 20 million at the time). It recognised that through EU-level cooperation, national governments could circumvent the obstacles to national reconstruction, the likes of which had caused French and

Swedish national economic plans to founder in the early 1980s and 1990s, respectively (Johansson, 1999, p.90). Thus, from the Larsson Report onwards, the European Union increasingly came to be seen as an institutional opportunity to manage and regulate an increasingly globalised capitalism. Indeed, in the words of PES General Secretary, Ton Beumer,

The Larsson Report was a bit of an eye-opener to some who had been bombarded with this idea that nation states couldn't act anymore. They feel that the EU has a level which enables them to regain some of the political power over the economic and technological process which is lost at national level, if the political will is there. This was a really challenging document, to make it clear that if we make it into European institutions we can use this to actually give some body to politics and be a real help to social democrats at the national level. This was all relatively new (interview with author, 11 September 2001).

The policies contained in the Larsson Report represented an attempt by social democratic actors to reassert the possibility of intervening in, and thereby correcting, some of the market-failures that arose from an unregulated market. Thus, the Report proposed an increase in productivity through low interest rates, generous national fiscal policies for investment, and lending by the European Investment Fund (EIF). It also called for investment in material and social (such as childcare, elderly care, urban renewal and social services) infrastructure in order to stimulate employment and productivity. Further, the PES aimed to achieve new working patterns throughout the EU, which would allow flexible

working arrangements and perhaps reduce the amount of working hours (on a national basis, negotiated by the social partners), and included a strong commitment to the equality of men and women throughout the policies of the EU. Finally, in a reflection of developments at the national level, the Report also committed the PES to an emphasis on active welfare provisions as opposed to passive ones (for instance, favouring spending on training and education over transfer payments and benefits) (PES, 1993). Thus, in the Larsson Report, the PES had adopted a moderate market-correcting policy framework, in which supranational cooperation was viewed as the most appropriate means to overcome the implementation problem facing proponents of market-correcting policies.

The 1994 manifesto, which had been adopted by the PES Congress in Brussels the previous month, outlined a similar programme when it stated,

We want to concentrate all our efforts on a massive reduction in unemployment. Our aim is to create as soon as possible a society in which everyone will have a job or an occupation. We can only achieve this through a coordinated European strategy' (PES, 1994: 3, emphasis added).

A similar approach was adopted to the environment, when the PES ad-hoc Working Group on the Environment, chaired by the Danish social democrat, Svend Auken, published its report entitled *Good Environment gives Good Jobs*, in which it set out a vision for environmental regulation at the EU-level (Ladrech, 1998). Thus, throughout the first half of the 1990s an increasingly substantive, albeit moderate, 'counter-globalisation' agenda was being adopted by social

democrats operating at the EU-level. This was a position that would be continually adopted by social democrats in their day-to-day engagement with the European institutions. Thus, the report of the PES working party on the 1996 IGC, chaired by French socialist Gerard Fuchs, stated that 'national initiatives are not sufficient in an open world economy that is marked by globalisation and rapid technological change'. Instead, the Fuchs report recommended, in a similar vein to the Larsson Report, 'an adaptation of the institutional framework ... in order to facilitate combining labour market, social and training policies that will reconcile the measures necessary for Monetary Union with the objective of progress to a social economy' (PES, 1995: 3). Nevertheless, despite the pursuit of 'counter-globalisation' cooperation at the European level, social democrats were keen to emphasise the need to avoid too much heavy-handed intervention at the European level. Thus, in a report published by the PES ECOFIN group in October 1998, entitled *The New European Way: Economic Reform in the Framework of EMU*, the PES finance ministers or finance representatives from PES member parties stated that,

our understanding of globalization requires economic reform with regard to a fair and socially acceptable system of international economic trade. In this framework, we must promote economic efficiency, help markets to work and remove barriers to free trade (PES ECOFIN group, 1998: 2).

These policies were complimented by a commitment to a 'new social contract', in which an investment would be made in people's skills and education, active

labour market policies, and reduce structural unemployment, although it was clearly stated that 'the allocation of jobs within and between industries is best left to markets' (PES ECOFIN group, 1998).

This concern by social democrats operating at the European level, to tackle unemployment and economic reform at the EU-level, whilst also acknowledging the importance of market forces in allocating resources, led in March 1999 to the adoption by the PES Congress in Milan of the Guterres Report, *A European Employment Pact for a New European Way*. The Report sought to find a 'European strategy for growth and employment', including the need to, 'at European level, ... define an appropriate mix between the unified monetary policy, the 15 national budget positions and the multitude of wage and income developments in Europe' (PES, 1999a). What this essentially meant was a commitment to the use of Euro interest rates to facilitate non-inflationary growth, the recommendation of wage increases linked to productivity, and public investment restructured towards supply-side measures, particularly focusing on areas such as entrepreneurialism, research and development, education and training, and active labour market policies (PES, 1999a). This emerging balance, between an acceptance of the value and importance of the market, on one hand, and a concern to regulate and intervene in order to facilitate its functioning (to work to facilitate, rather than to obstruct, market forces in order to achieve a more just society) was reflected in the PES manifesto for the 1999 EP elections, particularly when it stated,

We are committed to a modern economy that ensures growth, competitiveness and job creation. We reject the posture of the Right who would allow the vulnerable and disadvantaged in our community to become the victims of market forces. ...

For socialists and social democrats, a modern economy can only be developed in close cooperation with social partners. We know that economies are stronger when societies are just. The poverty of some diminishes the lives of all who live in a divided society. And the exclusion of any from access to education, employment, or to the skills and technology of the modern age weakens the economy to which they cannot contribute. That is why we say “yes” to a market economy, but “no” to a market society (PES, 1999b).

Thus, the agenda being promoted by social democrats operating at the EU-level represented an attempt to regulate and intervene in the market economy, whilst fully recognising that a substantial intervention into the operations of the market economy was not a viable policy alternative.

This balance, between the promotion of redistributive regulation at the supranational level and the relatively free operation of the market, would continue to be promoted throughout the 2000s. Thus, the 2001 Berlin PES Congress agreed that, ‘we want to manage global change for the benefit of human progress, making possible greater solidarity and social cohesion, and using globalisation towards creating opportunities for the many and not the few’. In concrete terms this meant support for EU-level support for social security, social dialogue, education, workers’ rights and consultation, a European research policy, EU-level regulation of public services, and the promotion of business and job creation (PES,

2001a). Further, the PES formulated a common position prior to the Laeken European Council meeting of 2001, which set out in very clear terms the way in which the European Union could be used to counter some of the more harmful effects of 'globalisation':

The countries of Europe face new challenges of competition from the dramatic growth of global economic forces. Nations are now more interdependent and inter-connected than at any time in history.

On the one hand globalisation has increased growth and employment, and broadened cultural horizons. On the other hand it has provoked a greater gulf between rich countries and poor countries and disrupted existing social structures. ...

The advent of these global pressures provides a compelling case for the further integration of Europe. ...

Together we have a better chance of enabling our industry to compete in the new global economy. The more open the European market is to all of its businesses and the easier it is for them to raise capital throughout Europe, the more they will be able to realise the strength of the European economy. It also makes sense to forge a collective defence to the global reach of the financial markets. Through recent turbulent weeks the common single currency has provided a stability in the financial markets that would not necessarily have been available to all its members if they had retained their own separate currency (PES, 2001b).

The PES also co-hosted a conference in Copenhagen, October 2002, *Social Democracy in a Globalised World*, which sought 'more interaction, high level

debate, exchange of best practice, expertise, input and coordination between our national parties and think-tanks' in order to 'analyse problems and develop political solutions' to 'today's global challenges' (Rasmussen, 2002: 89-90). Writing in the PES yearbook the same year, many leading social democrats were able to give a more concrete form to the type of 'counter globalisation' measures that they wished to see materialise at the European level. Thus, Mandelson claimed, 'as a social democrat I want jobs, prosperity and justice for the peoples of Europe. ... We shall all gain from deepening economic integration across Europe, but we must ensure that this integration combines the dynamism of the market with social democratic values' (Mandelson, 2002: 168). Further, according to Lene Jensen, PES Vice-President and the Deputy Leader of the Danish Social Democratic Party, 'if the people of Europe are to take part in globalisation, close European co-operation is indeed a necessity' (Jensen, 2002: 217). He continued,

The demands for a more equitable Europe are well founded. We must strengthen efforts to improve employee rights in the Union: a decent working environment, equal treatment for men and women in employment, employee influence at work and more and better jobs. The EU should actively take on the mantle of social leadership in the process of globalisation – no other player stands waiting in the wings (Jensen, 2002: 218).

This was a position echoed by the PES Members of the Convention on the Future of Europe, who agreed prior to the Convention that they wanted to see 'a strong

link between economic and social coordination', which essentially meant 'the promotion of sustainable development...based on growth, full employment and a high level of social protection in a competitive, innovative and dynamic social market economy' (PES Members of the European Convention, 2002). Finally, in the 2004 EP election campaign, the PES echoed this discourse, claiming in its manifesto,

For European Socialists, it is essential that the EU and its Member States give more priority to social standards, in particular the objectives of more and better jobs, full employment and social inclusion as well as environmental protection and sustainable development. We must preserve, strengthen and modernise the European Social Model which combines economic growth and adequate levels of social protection. ... The convergence of financial performance must be matched by convergence of social standards to ensure that social dumping does not undermine fair competition (PES, 2004).

What we have witnessed, then, is the clear development of a 'counter-globalisation' agenda amongst social democratic actors operating at the European level. Thus, through the pursuit of interventionist goals at the supranational level, social democrats have (in part) been able to overcome the perception that market-correcting policies are no longer viable following their reversal across western European nation states. Unsurprisingly, therefore, the prospects for social democratic cooperation at the European level were equally

heralded by social democratic actors in a series of qualitative interviews conducted by the author in late 2002.

A note on methodology

Before proceeding to a discussion of the developing 'counter-globalisation' agenda amongst social democratic actors operating at the European-level, I want first to make a few remarks regarding the methodology employed during the conduct of field research for this thesis. Between October and December 2002 I was privileged enough to spend my time working within the PES party federation Secretariat within the European Parliament, and to have the opportunity to conduct a number of semi-structured interviews with 25 PES MEPs. The aim of this period of participant observation and qualitative interviewing was to seek to understand the aims and perceptions of social democratic actors operating at the European level. As this formed the main body of my primary empirical research, I want here to outline how a number of methodological principles were employed in the practical conduct of this research.

Firstly, as noted, the aim of my field research was to observe the perceptions of social democratic actors operating at the European level in order to ascertain their own ambitions and perceptions of the strategic terrain existent at the European level. The rationale underlying the empirical research, therefore, was that the best way to understand why social democratic actors view the European Union as an increasingly positive institution containing opportunities for social democratic outcomes, despite academic observations to the contrary,

was to investigate the motives, considerations and perceptions of those actors themselves. As the members of the PES group within the EP represent the most partisan and ideological of social democratic actors engaged in political advocacy at the European level, and as these are the political actors most directly involved in promoting social democratic ambitions at the European level, it was felt that this group of individuals were the most relevant actors with whom to speak, and whom to observe, in order to understand the motivations and perceptions of social democratic actors with regard to the European level. This is in keeping with a critical realist method, which views individuals' ideas as an important and causal factor in social outcomes, and therefore seeks to understand those ideas in an attempt to understand the actions premised upon them (cf. Hay, 2004).

Secondly, the practical conduct of these interviews and period of participant observation was characterised by a semi-structured process of iterative investigation. By this, I mean that throughout the period of the field research I sought to marry the theoretical and empirical observations made in the secondary academic literature on social democracy and European integration with the empirical observations made through the conduct of participant observation and qualitative interviews. Thus, I sought to confront the perceptions and actions of social democratic actors operating at the European level with the theoretical observation that European integration apparently works to the disadvantage of 'traditional' social democratic aims, in order to understand why this should be the case and why social democratic actors apparently work under the assumption that it is not. The participant observation conducted as part of this study took the form of a personal involvement with the preparation for, and attendance (as an

observer) at, the PES Council meeting in Warsaw, which took place on 14 and 15 November 2002. This meeting between high-level representatives of the member parties of the PES, with roundtable discussions on 'A united Europe's global responsibilities', and, 'The future of European social democracy', allowed me to obtain an invaluable insight into the dominant viewpoints held, and arguments made, by social democratic actors across the European Union. Whilst the results of this research have not been formally quoted in the present thesis, they did provide the inspiration for a number of the claims made herein.

With regard to the interviews conducted with 25 PES MEPs during the October to December 2002 period, I contacted and sought to interview each of the MEPs that were members of the EP Committees on Economic and Monetary Affairs and Employment and Social Affairs, of the Bureau of the Socialist Group in the EP, or of the European Parliamentary Labour Party (UK Labour MEPs). These MEPs were selected because they were either members of the EP committees concerned with policies most relevant to a potential resurrection of a 'traditional' social democratic agenda at the EU-level, or because they were responsible for producing the overall political vision of the PES group in the EP (in each case, therefore, they were expected to have the most considered perspective on the central paradox underlying the present research). Alternatively, they were selected because they were UK Labour MEPs and were therefore of greater relevance to the present study due to its greater focus upon the social democratic turn to Europe within the UK. Of this group of contacted MEPs, those who agreed to be interviewed formed the pool of interviewees in the present study. The interviews were conducted using a briefing sheet sent to the

interviewees prior to the interview, in which the central paradox underlying the research, and a number of questions relating to the aims of the individual, and his/her perceptions of the constraints and opportunities that existed at the European level with regard to those aims, were outlined (see Appendix 1 for a copy of this briefing sheet and a list of the MEPs interviewed). The interviews therefore took the form of a semi-structured discussion, in which the respondents understood the basis underlying the research and the questions that the researcher sought to address, but in which the discussion was allowed to spread over a range of issues in order to achieve a full elicitation of the views of the respondent. The results of this research are presented below in the form of quotes of various interviewees, the aim being to illustrate their various arguments, perceptions and strategies, in order to show both how I came to the conclusions made in the present thesis, and to provide confirmatory evidence to support those claims. Whilst this is not, therefore, a systematic survey of MEPs operating at the European level (in which the views of each MEP, or each cohort of MEPs, is systematically presented as the result of a series of identical surveys), it does, nevertheless, represent a methodologically coherent attempt to interrogate the assumptions underpinning social democratic action at the European level, and provides examples of a wide range of statements containing those assumptions, in order to illustrate their coherence with the overall argument being made within this thesis.

Witnessing the 'counter-globalisation' agenda espoused by PES MEPs

The view that the European level is vital to the social democratic re-regulation of globalisation was consistently echoed in the series of interviews conducted by the author in late 2002. Thus, German socialist MEP, Goran Farm (German SPD/PES), argued that,

we need free trade, we need market economy. But we don't need the completely free market economy. We have to set limits to the market economy via political decisions. And those political decisions, on the environment, on workers' influence, whatever, today have to be taken not just on the national level but also on a European and a global level (interview with author, 4 December 2002).

In a similar vein, Christa Prets MEP (Austrian SPÖ/PES) claimed,

we now have a larger market, we don't have only our own country – we have an international market, a European market, and so we need some international and European rules for this market. The borders are open so we can move, there is much more moving, and I think if we want to have a social fundament in Europe we need some common rules. Otherwise the difference between the countries is very high (interview with author, 3 December 2002).

However, what is also noticeable about the 'counter-globalisation' agenda developing amongst social democratic actors operating at the European level is that, in parallel with the policy outputs achieved, the policies pursued at the supranational level are of a particularly moderate nature.

Indeed, on one hand, the EU-level is being consistently heralded as the institutional means through which a reassertion of market-correcting goals can be achieved. On the other hand, what we witness, both in terms of actual policy output, and in terms of concrete policy proposals adopted and pursued by social democrats acting collectively within the institutions of the European Union, is an agenda consistent with the 'new' social democratic respect for the operation of the market and the need for political facilitation of, rather than direct intervention in, the economy. This trend reflects the shifting political preferences within social democratic parties (Aust, 2004), the difficulties experienced in coordinating a joint position to be promoted at the EU-level (see Kuhlachi, 2002), and the obstacles that prevent the implementation of a more substantial interventionist agenda at the European level. Thus, in the words of Ulpu Iivari MEP (Finnish SDP/PES),

we need some kind of harmonisation of taxation on capital and taxation of environment. It's really very, very difficult. So-called national interests will come always first. And it's very understandable because prime ministers and other ministers are worrying what will happen in the national elections. It's very difficult to tell the people that the European interest can also be a national interest (interview with author, 4 December 2002).

Further, in highlighting the lack of a substantive social agenda at the European level, Herbert Boesch MEP (Austrian SPÖ/PES) identifies as the main problem the lack of popular support amongst social democratic constituents for the

development of supranational policy:

Some people try to talk about the social model Europe – I don't see this – there is nothing. The capitalist side is already playing in a European league – we are still working on a national level. So you can imagine who is stronger on the European level. I think there is a problem because the left is still a little bit sceptical. It's still reluctant to go full into Europe – this is a big mistake, it is a big problem. There are some comrades who believe still, that this is some kind of luxury, that the real politics is still done at home – which is a big, big mistake, and we have to argue against this mistake at home (interview with author, 4 December 2002).

Further, Ritta Myller MEP (Finnish SDP/PES) claims that tax harmonisation is necessary at the European level, but is hindered by the requirements of unanimity, claiming,

... of course there are some possibilities if we could make a decision – for example in taxation - there we need unanimous decision making. That we should change. There are few member countries which don't want to go further on these questions. This is one question where we need to change to majority decisions (interview with author, 26 November 2002).

The development of an EU-level social democratic 'counter-globalisation' agenda, therefore, has been consistently constrained by (amongst other factors) the limits to European integration, and has been recognised to be so by advocates of the

agenda themselves.

Moreover, the validity and legitimacy of these obstacles are often accepted by the advocates of a 'counter-globalisation' agenda, as the result of important limits to the cessation of political sovereignty and accountability to the supranational level. Thus, in arguing for the importance of democratic representation to social democratic ideals, Dorette Corbey MEP (Dutch PvdA/PES) claims that, 'I feel that you cannot regulate too much from Brussels, so it's very important to leave choices to member states. So I think there is a great deal of over-regulation from Brussels and I try to stop over-regulation and to leave it more to member states' (interview with author, 27 November 2002). Similarly, in discussing the need for an absolute majority in order to pass many decisions with the European Parliament, Helmut Kuhne MEP (German SPD/PES) argues that 'I think that it may be a system appropriate to the historical level of integration that we have reached in Europe, that you cannot lower down the thresholds because the dangers would be great that especially members of smaller parties in the parliament would feel sidelined from members of bigger countries, and the same thing in the Council' (interview with author, 25 November 2002). Lastly, in a clear sign of the importance of these limits to the extension of the social democratic agenda at the European level, the PES Members of the European Convention themselves stated that,

The Union must not be a centralised bureaucracy that issues heavy-handed edicts. Decisions should instead be taken at the most appropriate level of government whether it be local, regional, national or European, recognising that these spheres will often

have to work in partnership to achieve their goals ... European legislation, when needed, should have, whenever possible, a light touch ...

National parliaments need to see that they are respected before EU legislation is enacted ...

Policy should mainly be set out in framework legislation. This will allow national and regional authorities to define the detail of legislation in a way that best responds to local needs (PES Members of the European Convention, 2002).

It is clear, therefore, that whilst a coherent 'counter-globalisation' agenda has developed amongst, and been consistently promoted by, social democratic actors operating at the European level, the return to the levels of market-correcting intervention associated with the nation state during the 'golden age' is neither being pursued, nor likely to occur, in part because the obstacles to European integration (which are accepted as legitimate limits by many within the social democratic movement) prevent its realisation.

This section has sought to illustrate the way in which a coherent 'counter-globalisation' agenda has developed amongst social democratic actors at the European level. In particular, through an analysis of official party documents and qualitative interviews, it has been shown how the promotion of market-correcting policies at the EU-level is seen and portrayed by social democratic actors as a means to overcome the limits to such policies at the national level. In this way, the social democratic strategy of promoting redistributive regulation within institutions of representative democracy attached to the market economy continues to be feasible to social democratic actors,

despite its reversal and moderation at the national level. However, the non- (or under-) realisation of such an interventionist agenda has been shown to be understood by many social democrats as a result of some of the obstacles that limit the deepening of European integration; obstacles which are themselves recognised and accepted as legitimate by many actors within the social democratic movement. Thus, the qualitative evidence provided here illustrates the process outlined in chapters two and three, whereby the continued viability of the (contradictory) social democratic strategy has been secured through the promotion (but non-realisation) of market-correcting policies at the European level, in a form in which this non-realisation can be understood to arise from problems and limits internal to the process of European integration rather than to social democracy itself.

6.3. Conclusion

In sum, therefore, this chapter has illustrated two tendencies operating at the European level. Firstly, we have witnessed the limited scope for market-correcting policymaking at the European level, arising in part from some of the institutional obstacles to substantive policy integration at that level. We have also witnessed how this lack of market-correcting policy ensures that the process of European integration has, thus far, been a project predominantly constituted by market-building policies, thereby creating a concomitant reduction in scope for the implementation of market-correcting policies at the national level. Secondly, we have also witnessed the development and promotion of a

'counter-globalisation' agenda by social democratic actors operating at the European level. In particular, these actors perceive and portray the EU-level as a means to overcome the limits to market-correcting policy existent at the national level. It is the claim of this thesis that these contradictory trends can be explained in terms of the need to both reduce the scope of social democratic actors' market-correcting ambitions, at the same time as ensuring continued faith amongst social democratic constituents that the implementation of market correcting policies is feasible at some point in the future. The promotion of a 'counter-globalisation' agenda at the European level goes some way to reconciling these incompatible requirements due to the possibility of explaining the moderation of that agenda in terms of the obstacles to European integration (rather than the limits to social democracy); a tendency that we have witnessed in the discourse of EU-level social democratic actors and their acceptance (and justification of) the institutional obstacles to European integration.

Chapter 7 – Conclusion: ‘New’ Social Democracy’s Problematic European Legitimation and the Future for Social Democracy?

In conclusion, this chapter seeks to present the main findings of this thesis, to tackle some of the potential objections to its claims, and to identify some of the implications arising from its findings. The thesis has examined both theoretical accounts and empirical events in order to elicit an answer to the initial research problem; namely, why social democratic parties have become increasingly positive about the prospects for market-correcting and market-regulating policymaking at the European level despite the apparent absence of opportunities to substantively realise these aims. I want to take this opportunity to briefly summarise the main argument made in this thesis.

7.1. Summary of the main argument

The initial problem confronting this thesis was to find a viable explanation for the social democratic turn to Europe that has been occurring over the past thirty years. In particular, existing explanations were found to be inadequate due to their inability to explain the enthusiasm existent within social democratic parties regarding the opportunities for reasserting market-correcting and market-regulating policy aims at the supranational level despite the apparent absence of opportunities to realise those aims. Three existing explanations for the social democratic turn to Europe were identified. Firstly, the social democratic turn to Europe has been portrayed as an attempt by social democratic

actors to find a new institutional opportunity within which to pursue the historical social democratic agenda of redistribution, regulation and macroeconomic management following the incapacity of the nation state arising from the process that has come to be termed 'globalisation'. This explanation was rejected on the grounds that the obstacles to substantive market-correcting policymaking at the EU-level are such that the overall effect of European integration has been (and is likely to continue to be in the short-to-medium term) the reduction in the overall scope for market-correcting policymaking throughout the multi-level European polity. Secondly, the turn to Europe has been explained as the result of a normalisation of the process of European integration, whereby the continued and ongoing permanence of the European Union has engendered an acceptance by social democratic parties of the need to work within its institutions in order to remain an effective political movement. This explanation was rejected on the grounds that it provided little insight into the political implications of the social democratic turn to Europe, and indeed proved unable to explain why the turn to Europe had been consistently portrayed as a means to reassert a market-correcting agenda despite the lack of opportunities to do so. The final explanation for the social democratic turn to Europe examined here was the claim that it represents part of an overall ideological moderation occurring within social democratic parties. It has been argued that this moderation has led to the decoupling of social democracy and nationalism as the sovereignty and political capacity of the nation state is no longer as important to the social democratic movement following the reduction in scope of the aims of social democratic actors. This explanation was also rejected as inadequate due to its inability to explain why so

many social democratic actors have perceived and/or portrayed the EU-level as a means to achieve market-correcting policymaking following the reduced capacity of the nation state. Indeed, rather than representing a moderation of social democratic goals, the turn to Europe has been consistently associated with an attempt to avoid that moderation.

Having rejected the existing explanations for the social democratic turn to Europe due to their inability to explain the contradiction between the ambitions of social democratic parties and actors and the institutional constraints arising from European integration, the thesis argued instead that an examination of the internal and external pressures affecting social democratic parties can illuminate the reasons for the social democratic turn to Europe. Based on an analysis of social democracy's historical development, the thesis argued that the failure of 'traditional' social democracy since the mid-1970s has necessitated its moderation and the adoption of a 'new' social democratic programme. This moderation itself required a degree of ideological continuity in order to avoid a dissipation of the social democratic constituency. In light of these requirements, it is the claim of this thesis that the ability for social democratic parties to promote a market-correcting agenda at the European level, despite the impossibility of such an agenda being realised in the short-to-medium term, combined with the possibility of explaining the underdevelopment of a market-correcting agenda in terms of the obstacles to European integration rather than to the limits to social democracy itself, explains the 'new' social democratic turn to Europe. Thus, through the promotion of an unrealisable market-correcting agenda at the supranational level, social democratic parties are able to moderate their political

programme at the national level (as necessitated by the failure of 'traditional' social democracy), whilst simultaneously acting to maintain a social democratic constituency through the promotion of more traditional social democratic aims at the supranational level. Moreover, these aims cannot be realised, and therefore fail to threaten the viability of 'new' social democracy, yet this failure can be understood in terms of the institutional obstacles related to European integration, rather than the limits to social democracy itself, thereby negating the detrimental impact that this moderation has on the reproduction of a social democratic constituency. In order to further validate this claim, the thesis examined contending explanations for the failure of 'traditional' social democracy and its necessary replacement with the less interventionist 'new' social democracy. The thesis claimed that, as argued by theorists critical of social democracy, the tendency for the market economy to overturn regulations that prevent the realisation of profit-making, economic growth and economic freedom, combined with the inability of representative political systems to sustain the level of cooperation needed in order to counterbalance this market tendency, most adequately explain the failure of 'traditional' social democracy and (due to 'traditional' social democracy's acceptance of both the market economy and representative democracy) the necessary adoption of a 'new' social democratic agenda. In order to maintain a degree of viability for the social democratic movement, therefore, the thesis claims that it was necessary for the unsustainability of social democracy to be explained in terms of the inappropriate scale of the nation state. In this way, the social democratic turn to Europe has enabled the failure and necessary moderation of social democracy to be perceived

as a problem of scale and a problem with the institutional obstacles to policymaking at the EU-level, rather than as a problem with the social democratic strategy itself, thereby contributing towards the ongoing legitimisation of the social democratic strategy and the continued maintenance of a social democratic constituency. Nevertheless, such a paradoxical mode of internal party legitimisation itself opens up possibilities for further dilemmas and difficulties for social democratic parties, particularly once the failure to realise a substantive market-correcting agenda at the EU-level becomes increasingly apparent.

Having elicited the most adequate explanation for the social democratic literature from both the existing literature and the historical development of social democracy, the thesis then sought to validate these theoretical claims. This took the form of tracing both the moderation of social democracy and the related adoption of a pro-European position by social democratic parties in the UK, Sweden, France, Spain and Italy. This was then supplemented with an analysis of the development of market-correcting policies at the EU-level and the accompanying perception of the possibilities for such outcomes by social democrats operating at the European level. At the national level, the theoretical claims being made were confirmed in each case by the empirical events witnessed. In particular, we saw how the failure of 'traditional' social democracy arose due to the inability of social democratic parties or governments to reconcile their promotion of redistributive market-correcting and market-regulating policies with the market's requirement for a level of economic freedom able to ensure a viable level of profit-making and growth. Once these limits to social democracy were reached, social democratic parties were faced with the alternative of either seeking

to implement a more radical social democratic programme in opposition to the market, or jettisoning many of the market-correcting elements of the 'traditional' social democratic programme and adopting a 'new' social democratic agenda. For those parties that initially sought a radical departure from 'traditional' social democracy and the market (in particular, this was the case in the UK, and to a less extent in France) it was discovered that the level of solidarity engendered by the process of representative democracy was not sufficient to sustain the collectivism necessary to successfully implement this radical alternative. Thus, in each case we have witnessed an eventual abandonment of the 'traditional' social democratic agenda and the adoption of a 'new' social democratic one. Furthermore, we have consistently witnessed the growing adoption of a pro-European agenda and pursuit of a more substantial market-correcting agenda at the EU-level by social democratic parties and actors following the necessary abandonment of such goals at the national level. We have also witnessed the utilisation of this turn to Europe as a (not always successful, particularly in the case of Sweden) device to ensure a degree of ideological continuity, and therefore unity, within social democratic parties that have been forced to abandon many of the ideological values that previously gave the party its identity and (in part) held it together. Finally, at the European level, we have witnessed the historical development of a 'counter-globalisation' agenda, whereby social democratic actors operating at the supranational level have increasingly come to view the EU-level as means to overcome many of the constraints to a perceived political impotence existing at the national level. This is despite the many obstacles to market-correcting political action at the European level, the absence of market-correcting policy

outputs at the European level, and the overall reduction in scope for market-correcting policymaking across the multi-level European polity resulting from the process of European integration. Despite these limits, we have consistently witnessed social democratic advocates of European integration argue for the importance of the European level as a means to overcome these limits, whilst at the same time (in many cases) accepting the inevitability (and even the importance of upholding) these limits. Based on these findings, this thesis claims that we can only conclude that the theoretical claims made in chapters two and three – that the ‘new’ social democratic turn to Europe represents an attempt to ensure the internal legitimation of social democracy despite its apparent failure, made possible by the *institutional* obstacles to its implementation at the European level – provide the most viable and adequate explanation for the social democratic turn to Europe.

7.2. Addressing possible objections

Perhaps the most obvious charge that this thesis is susceptible to is that it has not provided sufficient evidence to definitively confirm (or ‘prove’) the central propositions being made. Thus, rather than being merely a means by which social democracy can be promoted but not realised, the social democratic turn to Europe may represent a significant attempt by social democratic actors to implement a market-correcting agenda at the European level. Indeed, none of the evidence that has been presented here illustrates the impossibility of implementing a more substantive market-correcting agenda in the medium-to-long

term, provided the obstacles to such a development could be overcome. In other words, the limits to the implementation of a market-correcting agenda at the EU-level may indeed arise merely from institutional obstacles, rather than from more substantial problems facing the social democratic strategy of pursuing redistributive market-correcting policies through institutions of representative democracy attached to the market economy. Therefore, merely having witnessed the failure and abandonment of 'traditional' social democracy at the national level, and its pursuit but non-realisation at the supranational level, fails to validate the claim that 'traditional' social democracy failed for the reasons outlined in chapter three, or that it is suffering from an inherent strategic contradiction which prevents the successful reassertion of a more substantive market-correcting agenda at some point in the future.

These objections amount to the claim that the absence of a definitive test, according to which the explanations presented in chapters two and three can be validated or invalidated, means that there is no possibility of knowing for certain whether the claims are accurate or not. This is a perennial problem facing social scientists: the inability to conduct experiments on humans and human societies in order to confirm or repudiate our hypotheses about them means that claims about causal processes affecting human affairs can never be as strongly confirmed as those in the natural sciences. This problem has generally been (attempted to be) resolved in one of two ways. On one hand, one group of social scientists adopt a strongly sceptical stance towards all truth-statements, and require that in order for an explanation to be accepted as valid it must be the case that very many confirmatory instances of the same phenomenon are repeatedly witnessed across a

wide ranging and divergent sample (King, Keohane and Verba, 1994) and/or that attempts to find contradictory events to invalidate the claims are unsuccessfully made (for the classic statement on 'falsification' as a method of validation see Popper, 1969). For these positivists, no statement can acquire a legitimate claim to be a representation of the truth unless similar instances are repeatedly observed in order to confirm that the statement is indeed universally true. The alternative approach has been for social scientists to recognise the inability of individuals to escape their own personal prejudices and frames of reference and to therefore renounce any claims to making definitively truthful statements. For these interpretivist scholars, the inability to gain a direct and irrefutable insight into the workings of the social world implies that the attempt to identify objective truths is futile. As an alternative, they seek to focus on the ways in which the frames of reference we inhabit, and the perspectives that particular individuals adopt, have come into existence, how these perspectives relate to the various power relations that constitute society, and the way in which truth-statements are emergent from particular power relations (for some of the classic statements in this field see Foucault, 1969; Winch, 1958; and (arguably) Kuhn, 1962). In contrast to these two predominant and contending positions within the methodologies of social science, critical realism has been increasingly adopted by social scientific practitioners in an attempt to overcome the naïve empiricism and radical scepticism of positivism and interpretivism, respectively (Bhaskar, 1975, 1998; for a discussion on the relevance of critical realism to the practice of social science, see Hay, 1995: 199-202; Sayer, 1992; Outhwaite, 1987; Collier, 1994; Cruickshank, 2003). In brief (and in the form it has been employed within this

thesis), critical realism is a position that accepts that, on one hand, the inability to remove social mechanisms from their social context in order to test for their existence invalidates the positivist reliance upon empirical testing, and on the other hand, the existence of regular social occurrences and the ability to improve the efficacy with which we intervene in the social world invalidates the implication of the interpretivist view that all truth-claims are equally valid and/or invalid. In contrast, critical realism accepts that, whilst truth statements will inevitably be fallible, we can, nevertheless, improve the adequacy of the concepts we use to describe the empirical world through the constant refinement of those concepts in an iterative and interactive process of reconceptualisation and reapplication until the concepts we hold are most able to guide our practical engagement with the social world we inhabit (see Sayer, 1992, for one of the key statements along these lines, in which he argues for 'practical adequacy' as the basis according to which we should validate knowledge-statements). It is the claim of this thesis that a more adequate conceptual approach has been presented here: one that more adequately explains the 'new' social democratic turn to Europe. In particular, this increased adequacy derives from the ability of the explanation posited here to explain many of the contradictory events that were inexplicable from the alternative, pre-existing perspectives. Whilst the explanation presented here may not, therefore, be a foolproof and infallible account of social democratic parties and their position on European integration, it does, nevertheless, represent an improvement over existing accounts, and one that can be further confirmed and/or modified in terms of its ability to account for the ongoing development of social democratic parties and their position on European

integration in the future..

7.3. Implications of the findings

Turning now to the implications arising from the arguments made in this thesis, it should have already become obvious to the reader that the most important implication arising from the arguments of this thesis is that we should not expect social democratic parties to achieve a successful return to the expansion of redistributive market-correcting policies such as that which occurred during the thirty-year post-war “golden age” of capitalism, *either at the supranational or national levels*. Indeed, in arguing that the most important role of the social democratic turn to Europe is that it retains hope that market-correcting policies can still be pursued, without actually having to implement them, the thesis is clearly arguing that the decline of ‘traditional’ social democracy, and its association with more substantive market-correcting policies, is due to a failure inherent within social democracy itself rather than within the scale at which social democratic goals are pursued. Indeed, central to the argument of this thesis is the claim that the ‘traditional’ social democratic strategy of working within institutions of representative democracy attached to market economies requires the maintenance and exacerbation of social inequalities and antagonisms which undermine their pursuit of redistributive policy outcomes. So what does this imply for the direction of social democratic politics in the years to come? Below I outline four likely developments and provide examples illustrating how these tendencies have already begun to manifest themselves.

Firstly, the more apparent it becomes that more substantive market-correcting policies are not likely to be realised at the European level, the more problematic the European legitimisation of 'new' social democracy is likely to become. Indeed, whilst the abandonment of much of the 'traditional' social democratic programme at the national level has been seen to (partly) rest upon the legitimating role of the European Union in providing an opportunity for the (partial) re-assertion of those aims at the supranational level, the inability to realise these aims at the supranational level poses further problems for the legitimisation of 'new' social democracy. Thus, if substantive market-correcting policies are abandoned entirely by social democratic parties, those same parties are left without a legitimating ideal around which to appeal to their core constituency or to distinguish themselves from their centre-right political opponents in the electoral competition. The effects of this legitimisation problem have already begun to manifest themselves across western Europe, in particular in terms of falling party membership, an increasingly rapid turnover of party members, and a decline in the stability of party support (Moschonas, 2002: ch. 6-8). More specifically, we can also witness the growth of an anti-EU agenda amongst social democratic proponents of market correcting public policy. For instance, the Swedish rejection of EMU membership in September 2003 witnessed a large proportion of social democratic voters opposing membership on the grounds that it threatened the Swedish welfare model (Miller, Taylor and Potton, 2003). A second example is the recent internal battle within the French PS over the adoption of a party position on the ratification of the Treaty of the Constitution for Europe, which saw the party divide along the lines of roughly

60% to 40% in favour of the continued support for the EU. Thus, whilst the PS remains supportive of the process of European integration, 40% of the party membership sided with the argument made by Laurent Fabius that the EU is a neo-liberal construction undermining social democratic attempts to regulate the market (Financial Times, 2 December 2004).

Secondly, as the lack of market-correcting initiatives existent at the European level becomes increasingly apparent, we are increasingly likely to see the same agenda being promoted at even greater levels of scale in order again to avoid the appearance and feeling of failure and redundancy by the social democratic movement. Indeed, there has already been a growing trend for social democrats to call for the creation of some form of international governance in response to the inadequate scale of the European Union as the means to organise and regulate the internationalised market economy. In this way, the reinvigoration of social democracy is again being sought through the promotion of market-correcting policies on a more appropriate scale despite the ongoing moderation of market-correcting policies and the seeming inability of social democratic parties to realise their policy aims. For instance, in his particularly pertinent article, 'Global Social Democracy', David Held (2003) argues for a global social democracy that, 'seeks to nurture some of the most important values of social democracy while applying them to the new global constellation of economics and politics' (p. 164). This is an agenda that is equally being promoted by many key social democratic political actors. Indeed, one of the most high-profile manifestations of this trend can be witnessed in the case of the Network for Progressive Governance, in which the leaders of social democratic

parties coordinate on an international basis to seek to promote 'progressive' values on a regional and international basis. Thus, in their opening communiqué, the leaders agreed that

we ... believe that the strengthening of the international co-ordination and co-operation on issues of global concern can make a significant contribution to reinforcing progressive governance at the domestic level, by ensuring more stable economic conditions and by fostering efforts to build a more even process of globalisation⁷³.

Obviously, as with the European level, whilst this may well be a very real attempt to implement redistributive initiatives on a global level, the fact that social democratic actors understand the problems in implementing a market-correcting agenda in terms of a problem with scale, without addressing the factors that led to the unravelling of 'traditional' social democracy at the national level and the absence of substantive market-correcting initiatives at the European level, leads one to expect that the likelihood of successfully implementing a more substantive social democratic agenda at the international level is equally slim.

Thirdly, given the absence of a legitimating framework of market-correcting policies around which to construct the social democratic movement in the present, another likely trajectory for the social democratic movement is an increase in the emphasis placed by 'new' social democrats on the ethical superiority of political non-intervention. Thus, as the implementation of market-correcting policies becomes increasingly unfeasible, so the social

⁷³ See <http://www.policy-network.net/php/article.php?sid=5&aid=31>.

democratic pursuit of these policies has been (and is likely to continue to be) jettisoned in favour of more market-building policies. In parallel, social democratic actors are required to provide an ethical justification to this trend, in order to avoid an overwhelming legitimisation crisis for social democratic parties themselves. This has already been witnessed in the case of Tony Blair and 'New' Labour, but can also be witnessed across western Europe. For instance, in justifying the reforms that have come to be called Agenda 2010 in Germany, SPD Bundestag member, Hubertus Heil (2003), argued that,

social democrats must never focus on the preservation of structures for conservative reasons. Given that the progressive left wishes to enable all sections of the population to participate in prosperity and to ensure that social justice prevails, it has no choice today but to engage in a resolute struggle for economic and social change (p. 22).

This attempt to justify the jettisoning of more substantive market-correcting policies in terms of the ethical superiority of a 'new' social democratic programme can itself be understood as a result of the need to reconcile the legitimisation of the social democratic programme with the need for moderation of its prescriptions arising from the strategic contradictions at the centre of social democracy itself. Thus, having reached a point where it is no longer feasible to promote market-correcting policies, 'new' social democrats have found it necessary to argue for the undesirability of such initiatives.

Finally, the inability to substantiate the 'new' social democratic agenda through the implementation of market-correcting policies at the supranational

level is likely to contribute towards a growing sense amongst the electorate that the institutions of representative democracy offer few meaningful alternatives. Indeed, as social democratic parties have traditionally represented one side of the main political contest within democratic institutions, their abandonment of their traditional agenda and their inability to successfully promote an alternative agenda that clearly distinguishes themselves from their centre-right opponents inevitably risks also undermining the political legitimacy of the institutions of representative democracy. This is especially the case as that legitimacy itself rests on the idea that political outcomes result from a political contest between representatives of the society over which the institution governs. Thus, the absence of a meaningful political contest and the apparent inability of social democratic parties to offer an agenda that corrects the market in any meaningful way, risks undermining not only the legitimacy of social democratic parties, but also of the political institutions within which they compete as well. This problem has particularly manifested itself in terms of a decline in voter turnout that is occurring across Europe, a trend which is commonly understood to result from the perception amongst the electorate that there is a lack of real political alternatives and therefore the absence of any real motivation to vote for any particular political party (see Gray and Caul, 2000).

7.4. A very brief note on normative implications and future directions

I want to end the thesis with a brief discussion of what the findings and arguments made here imply for those who continue to attempt to pursue the historic social

democratic goal of achieving a more egalitarian society. In other words, given that the present thesis has argued that the social democratic strategy of pursuing reforms within institutions of representative democracy attached to market economies is unable to realise its egalitarian ambitions, what alternative strategies should advocates of the traditional social democratic aims and ideals of equality, emancipation and redistribution employ in their attempt to achieve those aims? Indeed, what political strategy should advocates of an egalitarian society adopt? Whilst it is obviously outside the scope of these final comments to provide anything approximating a coherent answer to this question, perhaps a few suggestions arising from the arguments that form the main part of the thesis can be tentatively made. Maybe the most basic observation arising from the findings of this thesis is that any attempt at implementing redistributive initiatives must seek to replace, rather than utilise, hierarchical social relations; the alternative being an unsustainable reliance upon the reproduction of hierarchical relationships that are incompatible with the realisation of egalitarian redistributive outcomes. Thus, the implication of the findings presented here is that the social relations that we construct and reproduce in order to try and create a more egalitarian society must be compatible with their final aim. Indeed, whereas the social relations that make up the market and the state both maintain hierarchy in the form of property-ownership and/or the delegation of decision-making capacity to a centralised authority, the social relations that we engage in to produce more egalitarian outcomes must be of a more cooperative and less hierarchical nature if they are to be compatible with their stated aim. The task facing advocates of egalitarian reform in the future, therefore, is to identify non-coercive, solidaristic

and egalitarian means through which to promote a progressive redistribution of power within society; or else, the continual compromise of social democratic ambitions in order to reconcile the contradictory elements of the social democratic strategy.

Appendix 1: Interview material

BRIEFING SHEET

Contemporary Social Democracy and the European Union

The present research is concerned with the role of the European Union in contemporary social democracy. In particular, it is concerned with identifying the opportunities and constraints the European Union represents for individuals associated with the Party of European Socialists. The purpose of the interview is to seek to gain an insight into the reason for strong social democratic support for European integration and EU-level initiatives, and also to gain an understanding of the aims and preferences held by social democrats involved in the EU decision-making process.

The particular issues that I would like to cover as part of the interview can therefore be outlined as follows:

1. Aims

- What aims do you seek to achieve through your role as an MEP?
- Who do you see yourself as a representation of within the EP, and who are you accountable to? – electorate, particular interests within society, party?
- In what way are you able to promote the interests of the people/groups you represent within the EP?
- Is the creation of a single European marketplace compatible with social democratic values?
- Should the EU aim to increase the amount of regulation over market transactions?
- Should the Stability and Growth Pact be reformed?

2. Opportunities

- What benefits does the European Union provide for social democratic aims?
- Which policy areas in the EU provide the greatest scope for the development of progressive policies?

- What role can the European Union play in creating employment and growth?
- What opportunities does the EU create for social reform?
- Some commentators have been keen to promote the idea that the EU can help social democrats to regain ground lost to factors collectively termed 'globalization'; how far do you agree with this analysis?

3. Obstacles

- What are the main obstacles for social democratic parties and MEPs operating within the EU?
- To what extent are there attempts to overcome these obstacles? And who are they supported by?

4. Achievements

- What have been the most substantial achievements emerging from the EU?
- Does the Open Method of Coordination lead to policies that would otherwise not have been adopted at national level?
- How does the Lisbon process contribute towards social cohesion?

List on MEPs interviewed:

Ieke van den Berg (Netherlands) 7 November 2002

Maria Berger (Austria) 4 December 2002

Herbert Boesch (Austria) 4 December 2002

Paulo Casaca (Portugal) 12 November 2002

Michael Cashman (UK) 12 November 2002

Richard Corbett (UK) 6 November 2002

Dorette Corbey (Netherlands) 27 November 2002

Assistant on behalf of Rosa M. Díez González (Spain) 11 November 2002

Robert Evans (UK) 6 November 2002

Goran Farm (Sweden) 4 December 2002

Glyn Ford (UK) 28 November 2002

Robert Goebbels (Luxembourg) 25 November 2002

Willi Goerlach (Germany) 6 November 2002
Ulpu Iivari (Finland) 4 December 2002
Assistant on behalf of George Katiforis (Greece) 8 November 2002
Helmut Kuhne (Germany) 25 November 2002
Bill Miller (UK) 11 November 2002

Ritta Myller (Finland) 26 November 2002
Christa Prets (Austria) 3 December 2002
Bernhard Rapkay (Germany) 4 December 2002
Karin Scheele (Austria) 27 November 2002
Brian Simpson (UK) 5 November 2002
Maj Britt Theorin (Sweden) 26 November 2002
Phillip Whitehead (UK) 5 November 2002
Terence Wynn (UK) 6 November 2002

Other interviewees:

Ton Beumer (PES General Secretary) and Nick Crook (PES Political Advisor), 11 September 2001.
Emilio Gabaglio (ETUC General Secretary), 22 November 2002.
Neil Kinnock (Vice President, European Commission), 3 December 2002
Poul Nielsen (European Commissioner for Development and Humanitarian Aid), 21 November 2002
Nicolas Théry (Chief of Cabinet for Pascal Lamy, European Commissioner for Trade), 3 December 2002.

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