

**CONTINUITY AND CHANGE IN EUROPEAN SOCIAL DEMOCRACY:  
REASSERTING ITS VIABILITY  
WITHIN THE CONTEXT OF GLOBALIZATION**

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## **ABSTRACT**

### **CONTINUITY AND CHANGE IN EUROPEAN SOCIAL DEMOCRACY: REASSERTING ITS VIABILITY WITHIN THE CONTEXT OF GLOBALIZATION**

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The arguments concerning the unviability of Social Democracy at the beginning of new century within the context of globalization, and the accusations for its shift towards the New Right/Neo-Liberalism in the case of the Third Way has been criticized in a historico-critical way in this thesis. It is claimed that the insufficiency of these arguments arises from their analysis of Social Democracy merely through policies, or party politics, which have displayed great variety in the evolution of Social Democracy. Their shortage also stems from misunderstandings concerning Social Democracy before 1980, such as that it was against the market economy, that it was a working class ideology, and that it neglected the individual. Against the arguments of unviability and the accusations directed to Social Democracy, the thesis will assert that the theorization of Social Democracy should be based on its principles, such as democracy, progressiveness (movement) and social justice. By focusing on social democratic conception of social justice, this thesis defends that there is continuity within the tradition of Social Democracy, even in the face of globalization and in its encounters with the developments after 1980.

Keywords: Globalization, the Third Way, Working Class, Individual, Nationalization, Social Democratic Economics, Full Employment, Social Justice.

## ÖZ

### **AVRUPA SOSYAL DEMOKRASİSİNDE SÜREKLİLİK VE DEĞİŞİM: KÜRESELLEŞME KOŞULLARINDAKİ GEÇERLİLİĞİ ÜZERİNE BİR İNCELEME**

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Bu tezde, yeni yüzyılın başlangıcında küreselleşme koşullarında Sosyal Demokrasinin geçerli olamayacağına ilişkin eleştiriler ile Üçüncü Yol çerçevesinde Yeni Sağ/Neo-Liberalizm'in çizgisine kaydığı suçlamaları, tarihsel-eleştirel olarak sorgulanmaktadır. Bu argumanların, Sosyal Demokrasiyi sadece kamusal politikalar veya siyasal partiler üzerinden yapılmaları dolayısıyla yetersiz oldukları savunulmaktadır. Yetersizlikleri, Sosyal Demokrasiye ilişkin yanlış kabüllerden de kaynaklanmaktadır. Yanlış kabüller, Sosyal Demokrasinin 1980 öncesinde pazar ekonomisine karşı olduğu, işçi sınıfı ideolojisi olduğu ve bireyi ihmal ettiği. Sosyal Demokrasiye yöneltilen bu eleştirilere ve suçlamalara karşı, bu tez Sosyal Demokrasinin demokrasi, sürekli ilerlemecilik ve sosyal adalet gibi değerleri üzerinden tanımlanması gerektiğini ileri sürmektedir. Bu tez, küresel koşullarda ve 1980 sonrasındaki gelişmeler karşısında dahi sosyal demokrat gelenekte devamlılığın olduğunu, sosyal adalet ilkesi üzerinden savunmaktadır.

Anathtar Sözcükler: Küreselleşme, Üçüncü Yol, İşçi Sınıfı, Birey, Kamulaştırma, Sosyal Demokrat Ekonomi Modeli, Tam İstihdam, Sosyal Adalet.

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To my three lovely daughters: Elifnaz, Özge and Zeynep

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## ABBREVIATIONS

- ADAV: The *Allgemeiner Deutscher Arbeiterverein*
- APEC: the Asia-Pacific Economic Cooperation
- BBC: the British Broadcasting Company
- BLP: the British Labour Party
- BOAC: the British Overseas Airways Corporation
- CCELD: Collins Cobuild English Language Dictionary
- CDU/CSU: the Christian Democratic Parties (of Germany)
- CP: the Conservative Party (of Britain)
- EU: the European Union
- FDI: Foreign Direct Investment
- FDP: the Free Democratic Party (of Germany)
- GATT: the General Agreement On Tariffs and Trade
- GDP: Gross Domestic Product
- GNP: Gross National Product
- IGOs: Inter Governmental Organizations
- IMF: the International Monetary Fund
- LRC: the Labour Representation Committee (of Britain)
- MNCs: Multinational corporations
- MSPD: the Majority Social Democrats (of Germany)
- NAFTA: the North America Free Trade Area
- NATO: the North Atlantic Trade Organization
- NIEs: Newly Emerging Economies
- NRU: the natural rate of unemployment' theory
- NAIRU: non-accelerating inflation rate of unemployment"
- OECD: the Organization for Economic Cooperation and Development
- OPEC: the Organization of the Petroleum Exporting Countries
- PM: Prime Minister

SAP: the Swedish Social Democratic Party  
SDF: the Social Democratic Federation (of Britain)  
SIPP: Socialist International Principles Program  
SPD: the Social Democratic Party of Germany  
SPÖ: the Austrian Social Democratic Party  
SSRC: the Soviet Socialist Republican Countries  
TNCs: Transnational Corporations'  
TUC: the Trade Union Confederation (of Britain)  
TURK-IS: the Turkish Trade Unions Confederation  
UN: The United Nations  
UNDP: the United Nations Development Program  
USA: United States of America  
USPD: the Independent Social Democrats  
WB: the World Bank  
WTO: World Trade Organization  
WWI: First World War  
WWII: Second World War

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1. Context**

In the rise of the debates over the current form of world order, globalization has been conceived by some as the end of the viability of Social Democracy. However, before the globalization debates regarding the decline of social democratic politics, some other developments that go back to the late 1960s have been mentioned. These developments have brought pressures on Social Democracy. In other words, these developments have been considered as negatively contributing to social democratic politics. One of them has been the changing social structural base (Pontusson 1995). It has been argued that the rate of the service sector, especially the private service sector, in total employment has increased compared with that of the industry. The decline in the number of the industrial workers has been conceived as the loss of the social base of social democratic parties.

The development in the employment structure of the advanced countries has been conceived as one of the causes of the decline of social democratic politics along with those of the trade unions. The employment in the service sector is not considered as viable for the organizations of the working class. The small unit of production in the service sector makes the organizations of the workers difficult to operate. It is also perceived that the workers in the service sector have a different world-view from those in the industrial sector. In other words, it is argued that strong working class organizations in the industrial sector would contribute to the class-consciousness among the members of the working class. Such consciousness is perceived as significant for social democratic parties along with other parties on the Left. It is therefore argued that the development in the employment structure has caused the decline of the social basis of Social Democracy.

Late response of social democratic parties to new social movements, such as environmental, peace and feminist movements, which have emerged in the mid-1960s, has been conceived as another cause of the decline of social democratic politics (Wainright 1994; Taylor 1993b; Kitschelt 1993; Meyer 1997). According to this approach, social democratic parties lost supporters to these movements (Meyer 1997; McAllister 1994). The neglect of the environmental issues by social democratic parties was considered as the cause of the establishment of green parties in some countries (Stretton 1995).

This has been particularly significant in West Germany. The German Greens established their own political party, *Die Grünen*, in 1981 and contested at the elections against the *Sozialdemokratische Partei Deutschlands* (Social Democratic Party of (West) Germany /SPD). The SPD's late inclusion of environmental issues into its development/economic growth strategy as 'quality growth' (Stretton 1995; Meyer 1997) and placing quotas for women at various levels of the party organization however, did not cause the disappearance of the *Die Grünen*.

Due to the social democrats being in power at the time of the rise of these movements in most European countries, they became the target of the attacks by these movements. These critiques together with the inability of social democrats to respond to the attacks by the Right resulted in the decline of the dominance of Social Democracy established after Second World War (WWII). As a result, the emergence of new social movements caused the waning of the popularity of social democratic politics through declining the support for high economic growth and the sustainability of the welfare state.

The inability of social democratic parties to respond to the challenges raised against their policies of the postwar period, such as welfare state policies and Keynesian economics, has been mentioned in the literature as causes of the decline of social democratic politics. It is argued that the economies of the developed countries in the 1970s experienced both inflation and recession together, stagflation, which had not been thought to be possible according to Keynesian economics. The inability of Keynesian economics or of the state/government intervention in economy to smooth it out contributed either to the

decline of social democratic politics or to the increase of the New Right<sup>1</sup>. The finance of the welfare state, it has been moreover argued, would not be possible at the level reached. Both of them have come under harsh attack by the New Right. The experiences in the 1970s, it has been argued, presented that the social and economic policies employed by Social Democracy did not work unlike it had been thought before.

As a result of the developments mentioned above, Margaret Thatcher in Britain in 1979, and Ronald Regan in the United States of America (USA) in 1982, came into power and the New Right period started in the early 1980s. Through the end of the first decade of the period, there occurred the collapse of the Soviet Union along with the socialist states in Eastern Europe; the collapse contributed to the continuance of the New Right hegemony<sup>2</sup> in the world in the 1990s. The development has contributed to the critique of the arguments against Keynesian economic policies or *etatism*, and in turn those against of Social Democracy. In other words, the *laissez-faire* free market economy or Capitalism has been presented as having no alternative. Although there have been negative effects of the New Right policies on the lower classes<sup>3</sup> since the late 1970s, right-wing political parties have continued to get enough support in their electorates due to the effects of the developments mentioned above.

The rise of the New Right has meant the end of the agreement on the social democratic politics of the postwar period. The New Right has promoted the *laissez-faire* free market economy based on supply-side economic policies against Keynesian economics' demand-management policies. The New Right furthermore attacked trade unions and deregulated the labor market. Privatization has become a very widespread application. The reduction of the state, what actually meant the decrease of the provisions of the welfare state, has been raised. It has been argued that along with the decline of social democratic politics mentioned above, social

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<sup>1</sup> The concept New Right, Thatcherism and Neo-liberalism are interchangeably used in this study.

<sup>2</sup> Hegemony is taken to mean as a widespread acceptance of an idea or policy by various groups including opposing ones.

<sup>3</sup> The term lower classes refer not only to workers, but to groups with low-income, such as small peasants and retired people.

democratic policies of the 1980s<sup>4</sup> have failed to respond to the attacks by the New Right, social democratic politics could not stand anymore as a viable alternative against the New Right. The election losses of social democratic parties in European countries were conceived as a verification of the decline of European Social Democracy.

Throughout the 1980s, under the effects of the hegemony of the New Right, the theme of the literature on Social Democracy was either its decline or its end (Paterson & Alastair 1986; Karvonen & Sundberg 1991; Scharpf 1991; Mahon & Maidner 1994; Gray 1994; Pontusson 1992 & 1995; Prevost 1995; Esping-Anderson 1996; Panitch & Leys 1997). One of the basic assumptions of such arguments was the consecutive electoral losses of the social democratic parties in the European countries after 1980. The viability of Social Democracy in this case is reduced to party politics or election results. It should however be mentioned that such an approach fails to explain the state of Social Democracy in the 1980s and 1990s. This approach is inadequate because it first and foremost does not include the success of the social democratic parties in the Southern European countries, such as Spain, France, and Greece in the 1980s. It can thus be argued that the inadequacy of such critics is explicit, because they derive their conclusion from the electoral successes of the northern social democratic parties.

In the second half of the 1990s the promotion of (or pressing for) globalization by international organizations such as the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO) has contributed to the continuance of the New Right/Neo-liberal hegemony. It is argued that, especially by the hyper-globalists<sup>5</sup>, globalization is such a development that would result in the abolition of the nation-state, and in turn in the collapse of Social Democracy.

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<sup>4</sup> The policies of social democratic parties in the late 1970s and 1980s were 'the wage-earner funds', basic income level and quality economic development. Beus and Koelble argue that "social democrats are on the defensive concerning their positions on levels of taxation and governmental spending priorities, the future of the industrial society, productivity and competitiveness, as well as environmental, women's and foreign policy issues. Furthermore, they are frequently engaged in struggles amongst themselves over competing vision of what type of society social democracy ought to portray as desirable" (Beus and Koelble 1991: 515).

<sup>5</sup> The term hyper-globalists will be explained in the 3rd Chapter in detail.

The criticisms of Social Democracy have perceived these developments, particularly globalization, as either rendering its viability absolute or leading it to adopt the policies attached to the New Right. The latter has been promoted as discontinuity within the tradition of Social Democracy. The electoral successes of the social democratic parties, such as the BLP and the SPD in the second half of the 1990s, have not silenced the debates on the viability of Social Democracy. Although social democratic parties had experienced several election loses in the northern countries, such Britain and Germany, between the early 1980s and the mid-1990s, they have however been able to come into power in these countries within the context of globalization. These election successes raise questions about the sufficiency of the criticisms against the establishment of Social Democracy within the globalization context. This is because they could not explain the causes of the continuity of the electoral support for social democratic parties. This, I will argue later, is because of the shortage of their analysis of Social Democracy merely through its policies or party politics.

### **1.2. Why Study Social Democracy?**

The necessity for studying Social Democracy is not limited to the deficiency of its criticisms. The acceleration of poverty and the increase of both domestic and international inequality make its study significant as well. Despite the promotion of human rights and democratization, the rise of international and of domestic terrorism, as well as the abuses of human rights, cause us to study Social Democracy, since its struggle, which has been different from that of the New Right, has contributed to the development of democracy and to the welfare state in the advanced countries. The continuing pressure on the welfare state in favor of a further decrease coming especially from the hyper-globalists is another reason for studying the Left. It can therefore be argued that, for the reasons mentioned above, studying Social Democracy in the context of globalization is significant considering what it has promoted and did in the past.

Despite the arguments prognosticating the end of the viability of Social Democracy, studying it has become evermore significant, because the policies employed by right-wing governments have increased the inequality both between

classes and between developed and developing countries since the late 1970s. The New Right policies have negatively affected and continue to affect the lives of big parts of the population, not only in the developed countries, but also in the developing countries. The rise of unemployment has gone up along with the erosion of job security. The income gap between the rich and poor has widened both within and between countries. The number of people living below the poverty level has enormously increased. These developments have resulted in the increase of dissatisfaction among people within both developed and developing countries, although Neo-Liberalism has been also to continue to dominate the social and economic agenda all over the world. The workability of Social Democracy, like other ideologies on the Left, as a viable alternative against conservative / new right / liberal ideologies can positively affect the state not only of the working class, but those of all lower-classes as well. Along with its criticisms, these are the reasons for studying Social Democracy.

The contributions of Social Democracy to the state and society, especially in European countries, such as Germany, Sweden and Britain, were significant after WWII. The contributions to the increase of the living standards of the lower classes through welfare provisions, such as health care, education and housing, and to the inclusion of the working class into decision making processes<sup>6</sup> were significant.

The advocates of the New Right have argued that due to the developments mentioned above, Social Democracy as well as the Left has experienced difficulties for presenting itself as a 'real' alternative. Although social democrats were able to come into power in various countries in Europe, such as Britain and Germany they have been accused of moving to the stance of the New Right. Such accusations lead us to analyze Social Democracy through the continuity and change within its tradition. With the rise of the debates concerning globalization, these criticisms have turned to the collapse of Social Democracy within the context of globalization.

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<sup>6</sup> It should be stressed that these developments from the social democratic perspective were the reform/'transformation' of Capitalism.

The criticisms of Social Democracy, as its move to the stance of the New Right, raise questions, because social democratic parties in the advanced countries after the mid-1990s have had consecutive election successes. Throughout this period, the social democratic parties with 'new' leadership groups have gained electoral successes. The policies of the new leadership groups, such as T. Blair (Blair 1998) and G. Schröder (Blair & Schröder 1999), have been criticized as not being social democratic. It should however be mentioned that the analysis of Social Democracy in terms of the continuities and changes in its tradition is not limited to its criticisms, because the new leadership groups have argued that their policies should be changed to this 'newly' emerged conditions. This argument is however criticized as a move to the neo-liberal stance; and policies are considered as similar to those of the New Right (Abrams 1999; Adams 1998; Anderson & Nyta 1997; Blackburn 1997; Faux 1999; Yalman 1999; Hall 2000). Such a conceptualization of Social Democracy by social democrats themselves should however be studied from the tradition (developmental trends) of European Social Democracy: whether such attempt is unique to the 1990s or whether there have been such attempts before or not. As to be demonstrated in the following chapters, this is not for the first time that social democrats have argued for change of their policies.

It can be argued that Social Democracy has been one of the most debated ideologies in terms of the concepts of continuity and change. Starting within the SPD with Eduard Bernstein's critique of Marxism, Social Democracy has been even today perceived as a 'revisionist'<sup>7</sup> ideology as breaking away from a revolutionary tradition or from Marxism. This perception has become common and constantly re-emerged as 'revisions'/discontinuity/rupture until now. Such a misunderstandings concerning Social Democracy, I will argue, does have impacts upon its criticisms within the context of globalization, because they include similar inadequacies with the criticisms mentioned above. This thesis will therefore challenge such misunderstandings concerning Social Democracy as well.

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<sup>7</sup> In such cases it should be stressed that by 'revisionism' its critics have meant discontinuity or break from its tradition, rather than change of its policies. Because of such a content of 'revisionism', later in this thesis it will be used in synonymous with discontinuity and rupture.

The analysis of Social Democracy throughout its developmental trends in terms of the continuities and changes within its tradition, as I will demonstrate, does not verify such misunderstandings concerning Social Democracy. I will argue that the causes of these misunderstandings, as mentioned before, arise from their analysis of Social Democracy merely through party politics or its policies. Social Democracy in the case of ‘revisionist’ debates for example, is reduced to party politics. They perceive the standpoint of the SPD as that of Social Democracy and then present ‘revisions’ in the stance of the party as the rupture experienced within the tradition of Social Democracy<sup>8</sup>. The approach as a result misses the reformist ideas/Social Democracy subsisted within the SPD in its early years. Besides, the evolutionary position of the British Social Democracy, which was persisted from its emergence, falsifies such misconception as well. With Bernstein’s debates with the revolutionaries, such as Rosa Luxemburg, the concept of ‘revisionism’ was attached to Social Democracy and has continued until today. As a result, to demonstrate the deficiency of the analysis of its criticisms, as well as the elaboration of its position, this thesis will challenge the ‘revisionist’ misunderstanding concerning Social Democracy (Okyayuz and Kamalak 2004).

The term ‘revisionism’ secondly was used in the postwar period among the social democratic circles. With the rise of different context emerged before and after WWII, some social democrats, such as C.A.R. Crosland, argued that the social and economic policies that Social Democracy had to employ require change. Crosland, who was a leading ideologue within the BLP in the 1950s and 1960s, asserted that he did not consider the system of his time as Capitalism (mid-1950s), but as ‘Socialism’<sup>9</sup>, and thus the policies should be adapted (changed) the conditions. It should however be stressed that although social democrats have themselves employed the term ‘revisionism’ they have meant by the term as the replacement of their policies with ‘new’ ones in a given time. Some however,

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<sup>8</sup> It should also be mentioned that behind the revisionist debate there lies the fact that the term Social Democracy in the late 19th century was used by revolutionary movements. However by the October Revolution in Russia revolutionaries left the term Social Democracy and used the term communist instead of it, while social democrats continued to use the term ‘Socialism’.

<sup>9</sup> In this study the concept of Socialism that social democrats have employed is used in quotes to present its difference from that employed by Marxists mainly for referring the Turkish context.

especially Marxists, have employed the term ‘revisionism’ as discontinuity that reminds the concept used for accusing Bernstein in the 1890s. This thesis will argue that such criticisms of Social Democracy have caused the explanation of its developmental trends through ruptures.

It is after the 1980s that there have emerged once more the arguments regarding discontinuities within the social democratic tradition. Social Democracy, according to the criticisms, has moved to the position of Thatcherism/the New Right. It should be stressed that, like before, social democrats themselves have not been innocent for such criticisms. This time however, a new concept, the New Labour/ the Third Way, was offered instead of Social Democracy or ‘Socialism’. These arguably periodical discontinuities concerning Social Democracy will be challenged in this thesis through analyzing the substance of change or the degree of continuity within its values, such as social justice, as well as its social and economic policies.

Such criticisms of Social Democracy have been one of causes of the debates concerning its establishment within the context of globalization. As mentioned before, the unviability arguments include similar deficiency with the criticisms: These criticisms are derived from the examination of its policies. Such an approach, I will argue, is the reason why they could not explain how Social Democracy could come into power again and again, as well as how it has not lost its social base after WWII, particularly in the 1990s. To present the shortage of the unviability arguments, this thesis will challenge these criticisms and misunderstandings concerning Social Democracy together, as the continuities and changes within its tradition by dividing its developmental trends into three.

### **1.3. The Developmental Trends of Social Democracy**

The study of the developmental trends of Social Democracy through the three periods developed in this thesis will verify the challenge of this thesis against the accusations and the unviability arguments. The examination of Social Democracy through its developmental periods will make possible to study its standpoint in the 1990s in terms of continuity, change and rupture by comparing the last two periods: *governing* and *adoption periods*. Such an examination will demonstrate

why Social Democracy will be workable within the context of globalization as well.

The first period is called the *formation period*, indicating its formation as a reformist<sup>10</sup> ideology covering both political and economic spheres. The analysis of the formation period of Social Democracy will demonstrate the inadequacy of its analysis by the criticisms through party politics. This is because, by focusing on party politics the criticisms miss the fact that in this period a political party on the Left covered different movements or factions on the Left. For example, in Germany the SPD included both reformist and revolutionary movements or both Social Democracy and Marxism. This was because the political struggle in the period focused on the political sphere, such as extending suffrage (universal suffrage) to workers and women, increasing the power of parliaments, the recognition of trade unions, political freedom and secularism. In other words, the substance of the struggle of the Left in this period was what is today called democratization. By the end of WWI, the struggle was more or less successfully achieved<sup>11</sup>.

Along with showing the deficiency of the analysis of the formation of Social Democracy merely through party politics or its policies, the examination of its developmental trends will demonstrate the disclosure of the viewpoint of Social Democracy against the misconceptions carried by its criticisms. For example, the criticisms perceive it as a revolutionary ideology that had aimed at the abolition of Capitalism in the Marxists sense before WWI. According to this common misconception, by adopting the parliamentary method for achieving ‘Socialism’,

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<sup>10</sup> By reformism it is meant the incremental changes in Capitalism in favor of the lower classes; the basic structure of the system would still be Capitalism. Unlike revolutionary movement/Marxism, reformism/Social Democracy does not aim at replacing private property with public one or bringing the working class into power while excluding other classes.

<sup>11</sup> It should be mentioned that the method of achieving ‘Socialism’ should not be taken as a factor for the emergence of Social Democracy. Neither is it a valid criterion for explaining the difference between Marxism and Social Democracy, because their understanding of socialisms differs. In other words, if their ends have been the same, then it would be possible to employ the parliamentary method as an explanatory for the emergence of Social Democracy. It cannot be argued that reformists/social democrats wanted to achieve Socialism in the Marxist sense with public ownership of production, distribution and exchange. What Social Democracy in the *formation period* understood with ‘Socialism’ however was to become clear after WWII. Crosland for example, would call the Capitalism of the mid-1950s as ‘Socialism’.

Social Democracy had undergone discontinuity within its movement. Such an analysis would explain the position of Social Democracy in the postwar period by another rupture that it had arguably undergone. The developmental trends of Social Democracy were therefore explained by discontinuities.

By the end of WWII, there started the *governing years* of Social Democracy. Prior to WWII, the social democrats had found an economic model in congruence with their reformist position. The rise of Keynesianism, achieving full employment, the acceptance of a welfare state, and of the essentiality of economic planning all contributed to the disclosure of the concept of 'Socialism' for Social Democracy. The social democratic belief in achieving 'Socialism' or 'transforming' of Capitalism through reformism was fortified. Through such a position, I will argue that Social Democracy was able to dominate politics in European countries. The dominance of social democratic politics can be demonstrated through the employment of its social and economic policies to an almost similar extent by right-wing political parties<sup>12</sup> (Esping-Anderson 1992; Padget and Paterson 1991).

The examination of Social Democracy through the three developmental periods in terms of continuities and changes within its tradition will also demonstrate another deficiency of its criticisms. Such an analysis will present a comparison point, the *governing years*, for its criticisms after 1980 concerning its move to the position of the New Right. The examination of the governing period will show how Social Democracy has governed Capitalism. Because of the fact that they lack such a method, these criticisms will be called as misunderstandings concerning Social Democracy. The demonstration of the insufficiency of the criticisms arising from their lack of analysis of the Social Democracy of the governing years will contribute to the debates concerning its practicality within the context of globalization. The demonstration, in other words, will verify this thesis

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<sup>12</sup> That is to say that, even the right-wing political parties, such as the Conservative Party (CP) of Britain, contributed to the development of the welfare state and pursued full employment policies. It should however be mentioned that, as Esping-Anderson (1996) indicates, there can be found significant differences among the welfare states developed by the social democratic political parties and those by the right-wing political parties.

that the analysis of the formation of Social Democracy should also include its principles/values, such as social justice.

#### **1.4. Theme of the Study**

The criticisms of Social Democracy after 1980, especially through those concerning globalization, have been based on its policies. They are inadequate, because they reach conclusion by analyzing merely the policies of Social Democracy or the position of party politics. The criticisms are based on the analysis of the policies, that employed by social democrats in the postwar period.

In the case of globalization, such a deficient analysis of Social Democracy is more explicit. The establishment of Social Democracy is reduced to the confines of the nation-state, or to its policies of the period before the 1980s; these contributed to the development of the welfare state. They then conclude that since these policies cannot be pursued within globalization, or that since globalization has curtailed the power and functions of the nation-state, Social Democracy has collapsed.

Such an analysis of Social Democracy, this thesis will claim, is inadequate for examining its workability within different contexts. This is first and foremost because of the fact that the form of world order, as to be demonstrated in the Third Chapter, has not reached to the extent that has rendered the nation-state absolute, and in turn, that of national politics, but the debates over it continue. Therefore, this thesis will assert that even if Social Democracy is reduced to the nation-state it does still have potential within the context of globalization, because the nation-state is still out there.

The historico-critical challenging of the accusations that Social Democracy has undergone discontinuities in its tradition will also demonstrate the refutation of the unviability argument. The demonstration of continuities or changes within the tradition would verify the shortage of the analysis by the criticisms that have been carried out through its policies or party politics. The analysis in this thesis, on the other hand, will show that Social Democracy has changed its policies according to the conditions. This thesis will assert that these changes have been under the guidance of its values, such as social justice. If its policies have been changed in

accordance with the context, its criticisms through its policies would therefore be demonstrated as insufficient. The demonstration will allow us to argue that Social Democracy continue to be viable within the context of globalization.

Another cause of the deficiency of the criticisms regarding the continuity and change within the tradition of Social Democracy arises from their misunderstanding it as well. The misunderstandings concerning Social Democracy are demonstrable on its perspective on the market economy, its relations with the working class, and its approach to both the individual and nationalization. Demonstrating that the position of Social Democracy on these areas were different from these misconceptions carried by its criticisms will verify the argument that it has not undergone discontinuity, but rather that it presents continuity within its tradition, although with change in accordance with the conditions under the guidance of its principles, such as social justice.

The analysis of the formation of Social Democracy will be carried through the two case studies: Britain and Germany. These countries present comparatively two different social democratic traditions. The British society demonstrates a relatively low level of class conflict and peaceful transformation of the social, political and economic structure. The incremental development of the parliamentary system is a good example of this. It can be argued that incremental development contributed to the rise of the evolutionary position of the British organized labour.

Germany, on the other hand, presents a relatively more radical tradition. The German working class and its ideologies have been comparatively radical, because the German bourgeoisie, unlike the French one for example, was not revolutionary<sup>13</sup>. In other words, the German bourgeoisie did not attempt for the liberal (revolutionary) transformation of the German state and society. This resulted in a comparatively more radical working class movement in Germany, because the German working class had to carry out what the bourgeoisie had had to do. Social Democracy in Germany has been influenced by the radicalness of the working class. Therefore, the ideologies in Germany have been rich in terms of

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<sup>13</sup> This argument is told in a conversation with Assoc. Prof. Mehmet Okayuz.

debates. This richness can be presented by looking at the debates within the political parties.

Apart from the significance of the social structure of these countries, their social democratic parties, such as the *Sozialdemokratische Partei Deutschlands* (SPD) and the British Labour Party (BLP), present many reasons for taking them as case studies. Firstly, they have had a significant place within both Social Democracy and social democratic parties. They have immensely contributed to the development of social democratic theory and practice. The BLP is also examined as a case study. The BLP is representing the ‘evolutionary’ stance within Social Democracy right from the beginning. Without almost any revolutionary inclination, the BLP promoted ‘evolutionary transformation’ of Capitalism to ‘Socialism’. Studying the case of the BLP is also significant for being the party that promoted the Third Way concept instead of Social Democracy, which has once again caused the rise of the continuity and change concerning Social Democracy. In this thesis, as a case study, the developmental trends of the British Social Democracy or of the BLP will be analyzed.

In the case of the SPD, the debates between Marxism and Social Democracy contributed to the theoretical development of Social Democracy. The *Allgemeiner Deutscher Arbeiterverein* (General Trade Union of Germany) was established in 1863 (Fülberth 1999). Since the mid-1960s, the German society has experienced similar developments, such as the change of employment structure and the rise of social movements, which have resulted in the decline of social democratic politics in the 1980s. Therefore, along with the BLP, the SPD is analyzed in this study.

### **1.5. Defining the Terms “Continuity”, “Change”, and “Discontinuity**

Before going into the methodology of this study, the elaboration of the terms “change” and “discontinuity/rupture/‘revision(ism)’” would contribute to the study, since they have been significant terms for the criticism concerning Social Democracy. These terms, it should be mentioned, have been used by both social democrats themselves and their critics. However, while social democrats have

positively employed both terms as a necessity, its critics have negatively employed them as breaking from the social democratic tradition.

The term change<sup>14</sup> in this study refers to the minor alteration of the policies to the conditions, under the guidance of a value. In the case of Social Democracy, this meaning is very close to the term continuity. Even after the change, the ‘new’ policy continues to serve the materialization of social justice. Although the dictionary meaning of the term revision<sup>15</sup> is closer to the term change, it will not be used in this thesis, because, unlike its dictionary meaning, ‘revisionism’ refers to discontinuity in the literature on Social Democracy. In the case of Social Democracy, for example, the term change attributes to the replacement of the nationalization policy with Keynesian economics. The adoption of Keynesianism, it was thought by social democrats such as Crosland, would contribute to the fulfillment of social justice. The replacement between these two policy options occurs under the impact of the context through the guidance of social justice.

The terms “discontinuity”<sup>16</sup>, “rupture”<sup>17</sup> and “revision(ism)”, on the other hand in this study, are conceived as breaking from something or going into a completely new direction. Discontinuity in the case of Social Democracy means, for example, breaking from a revolutionary tradition in the *formation period*, or moving to the position of the New Right after 1980. Newly adopted policies are those of the New Right. If such a rupture occurs then there is no linkage between the Social Democracy of the *governing period* and that of the *adoption period* after 1980, and its criticisms would be verified.

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<sup>14</sup> The dictionary meaning of the term *change* I used is as follow: “(5) To change something also means to replace it or to use, have, or get something of a similar kind instead of the thing you previously used or had or to move it to a different position” (Collins Cobuild English Language Dictionary (CCELD) 1990: 225). This meaning of change is closer to *adaptation*, which is defined as “(2) the changing of something so that it becomes suitable for a new purpose or situation” (CCELD 1990: 16). The dictionary meaning of the term *adopt* is as follows: “(2) If you adopt a particular attitude, plan, or course of action, you begin to have it to carry it out” (CCELD 1990: 16).

<sup>15</sup> The dictionary meaning of the term *revision* is as follow: “(1) a revision of something such as a law, book, or piece of music is an alteration that is made to it in order to improve it” (CCELD 1990: 1243).

<sup>16</sup> The meaning of the term *discontinuity* is as follow: “(2) a discontinuity is a break that occurs in a developing process” (CCELD 1990: 400).

<sup>17</sup> The meaning of the term *rupture* is as follow: “(1) a rupture between people or groups is the severe worsening or ending of the relationship between them” (CCELD 1990: 1275).

The analysis of the three developmental trends of Social Democracy presents that, in accordance with differing conditions, change may be expected in its policies under the guidance of its values, such as social justice. For the verification of this argument the social democratic perspective on nationalization (Fifth Chapter) and social democratic economics, including full employment (Sixth Chapter), will be examined. The basic premise of this argument is, the reformist stance of Social Democracy. I will argue that it is a reformist ideology that aimed at ‘incremental transformation’ of Capitalism through ‘progressive’ social, economic and political policies. In other words, Social Democracy pursues its principles within the confines of Capitalism; unlike Marxism, it does not try to abolish Capitalism. This position of Social Democracy can be presented through examining its policies, especially in its governing period. This thesis will therefore contend that without considering both its position and the context in which it operates, the analysis of the establishment of Social Democracy would be insufficient, because the causes of change would be missed. By bearing in mind these two points, it will be claimed that change to some extent has been inherent to the policies of Social Democracy.

On the contrary, this thesis will demonstrate continuity within the tradition or position of Social Democracy by focusing on its conception of social justice. In other words, the theorization of Social Democracy in this thesis will be based on its conception of social justice. In contrast to the analysis by the criticisms through the policies of social democratic parties, the continuity of social justice as a value within the policies of social democratic parties can be demonstrated even since the mid-1990s. It will be stated that the continuity of social justice as a social democratic value will verify the viability of Social Democracy within the context of globalization.

Before going to the methodology of this thesis, another methodological deficiency of the criticisms of Social Democracy needs to be mentioned. The deficiency is that it is not clear that whether its criticisms take a starting point or they analyze Social Democracy through misunderstanding concerning it, such as that it was a working class ideology or that it aimed at abolishing the market economy. While the Marxist critics do not clearly define Social Democracy in its

*governing period* (Yalman 1999; Yalçintan 2000), the advocates of the Third Way exaggerate it. Therefore, it will be asserted that its analysis concerning continuities and changes within its tradition should include the comparison of its positions between the ‘new’ period (*adoption*) and the preceding period (*governing*).

Lastly, it should be stressed that the term change should also be considered within the group of ideologies on the Left. It can be said that change is inherent to the Left<sup>18</sup>. Through the continuity and change, or discontinuity concerning Social Democracy, the relations between social democratic parties and their social bases should also be taken into account. Since social democratic parties emerged as mass parties, they have been sensitive to their bases. Their social base has been the lower classes, such as small peasants, retired people, and the working class. The social base of social democratic parties, it can be argued, has also provided the extent of change they were able to adapt to. In other words, it has been such a strong base that has not allowed the parties to move completely to the position of the liberal/conservative political parties<sup>19</sup>. In other words, such a social base is the cause behind the continuity of Social Democracy within its tradition.

## **1.6. Methodology**

The study of Social Democracy in this study will be historico-critical. Against the reductionist analysis of Social Democracy by its criticisms, it will be contextually studied through various levels, such as party politics, policy and principles. Therefore original documents, such as election manifestos of the SPD and the BLP and the texts published by prominent figures within the parties, as well as the writings of leading social democrats (ideologues) of each period will be comparatively analyzed. As in case studies mentioned before, the BLP and SPD are chosen for their significance within the development of Social Democracy. The examination of globalization, on the other hand, will be based on the analysis of the debates concerning it, as well as the relationship between Social Democracy

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<sup>18</sup> This point is told to me in a conversation with Mehmet Okyayuz.

<sup>19</sup> The argument in this paragraph has been developed through my discussion with my supervisor Assoc. Prof. Dr. Mehmet Okyayuz.

and globalization. Throughout the examination, different approaches either from the Left or Right towards globalization will be studied.

### **1.7. Summary of Chapters**

In the Second Chapter, against the criticisms of Social Democracy as experiencing discontinuity, its developmental trends will be studied. The study in this chapter will establish the ground for this thesis against the criticisms: the analysis of the establishment of Social Democracy merely through its policies or party politics is inadequate; the analysis should also include its principles, such as social justice. The analysis through its developmental trends is also necessary for the continuities and changes within its tradition. For within these terms, as mentioned before, there should be at least two consecutive periods, and the former one should be historically studied. If we do not know, for example, the position of Social Democracy before 1980 very well, our analysis of it after 1980 would be inadequate. The developmental trends of Social Democracy will therefore, be divided into three periods: The first period comprises the years from its emergence until WWII and is called the *formation years (period)*, the second one covers the years between the end of WWII and 1980 and is called the *governing years* and the third period includes the years since 1980 and it is called the *adoption years*.

Before the detailed analysis of some crucial concepts, such as nationalization (Fifth Chapter), social democratic economics, including full employment (Sixth Chapter) and social justice (Seventh Chapter), a general study of the developmental trends of Social Democracy, it is thought, would contribute to the continuity and change debates after 1980, as well as those over its viability within the context of globalization. The elaboration of the *governing period* is especially significant for demonstrating the standpoint of Social Democracy within its tradition since the mid-1990s. It is this period within which Social Democracy started both the governing and ‘transforming’ of Capitalism.

In the Third Chapter, the context of this thesis, globalization, is examined. Globalization has been presented by a number of political scientists, especially by those on the Right, as a significant constraining development on the viability of Social Democracy. They have argued that, particularly the hyper-globalists with

neo-liberal leaning, globalization has caused the end of the nation state, especially through that of the management of a national economy, to which the establishment of Social Democracy, according to its criticisms, is attached. In this chapter, therefore, firstly their arguments regarding the end of the nation-state will be challenged. The examination will demonstrate that many globalists, except the hyper-globalists, do not argue for the collapse of the nation-state for the time-being, neither do empirical researches verify such an argument. In other words, the examination of the debates concerning globalization displays that the nation-state continues to exist. Such a display will allow us to argue that, Social Democracy has a room for pursuing social justice even within national boundaries.

The examination of the debates concerning globalization will furthermore verify the shortage of the analysis of the formation of Social Democracy merely through its policies. In such a context of globalization, criticisms reduce Social Democracy to the nation-state/national politics, or to its social and economic policies. The examination in this chapter will also demonstrate that social democrats respond to the challenges posed by globalization under the guidance of its values, such as social justice. It will be claimed that focusing on its principles will show the continuing potential of Social Democracy within the context of globalization.

In the Fourth Chapter, some misunderstandings concerning Social Democracy in the case of the Third Way or *Die Neue Mitte* will be examined through the three developmental periods. The focus of this chapter will be the approach of Social Democracy to the state and to the market economy, its relationship with the working class, and its perspective on the individual. Although the criticisms present these categories as employed after 1980 under the hegemony of the New Right, the examination demonstrates that they were well existed in its tradition. The perspective of Social Democracy on the state and market relations and its approach to the market were far more positive than raised by its criticisms, including the advocates of the Third Way, such as A. Giddens. Similarly, the analysis will present that, although Social Democracy does not deny the existence of social classes, it has not been a working class ideology. This is first and foremost because its appeal to a heterogeneous class base started in its *formation*

*period*. Besides, this issue was settled in its *governing period*, that is long before 1980, the *adoption period*.

As such, the examination of the developmental trends of Social Democracy through the case studies, the BLP and the SPD, shows that the concept of the individual has subsisted within social democratic theory and practices. This misperception is shared by the advocates of the Third Way who argue that the individual was sacrificed against community or solidarity. Because of these reasons, I will call such criticisms as misconceptions, because they misunderstand Social Democracy of the governing years. As a result, in the Fourth Chapter, it will be stated that Social Democracy has not undergone discontinuity within its perspective on the market economy, its relations with the working class, and its approach to the individual between its *governing* and *adoption* periods.

The theme of the Fifth Chapter will be the perspective of Social Democracy on nationalization. Nationalization has been one of the most raised issues in terms of a critique of Social Democracy through continuity and change debates after 1980. In the Fifth Chapter, the perspective will be studied through the three developmental periods by questioning whether is it employed as a goal by itself or as a policy serving social democratic values? The study will also examine the perspective in its governing period: How did Social Democracy conceive nationalization in the whole period? Through responding to these questions in the Fifth Chapter, the study will demonstrate that Social Democracy had abandoned its nationalization policy long before the emergence of the New Right in the 1980s. I will therefore assert that these findings regarding nationalization will verify the shortages of the analysis of Social Democracy merely through its policies. In other words, right in its governing period, the nationalization policy had already been changed with Keynesian economics in accordance with the context under the guidance of its principles, such as social justice. The demonstration of such a constituting characteristic of Social Democracy, will allow us to argue that its viability will continue within the context of globalization.

The examination in the Fifth Chapter will also demonstrate the misunderstanding concerning Social Democracy in the case of nationalization. The analysis of the developmental trends of Social Democracy will present that

nationalization cannot be taken as one of its defining characteristics (or one of the common goals of social democratic parties) in its governing period. That is to say that, nationalization was considered as a critical issue only in Britain by the BLP and in France<sup>20</sup>. In these countries, the analysis shows that nationalization had not only been raised by social democrats but by politicians of the Right as well. In the case of the British social democrats, they abandoned the nationalization policy in their *governing period*. These findings will verify this thesis that the analysis of the viability of Social Democracy should also include its values.

The study of social democratic economics in the Sixth Chapter, like that of nationalization, will further verify the shortage of the analysis of Social Democracy merely through its policies. The critics have argued that full employment was a significant policy issue for Social Democracy after WWII. Not mentioning the full employment has therefore been considered as the move of social democratic employment policies to the position of the New Right in the 1980s. By challenging such criticisms, the study will also verify the definition of Social Democracy developed in this study through elaborating the standpoint of Social Democracy in its governing period.

For these reasons, in the Sixth Chapter the examination of social democratic economics will focus on its policies in its *governing period*. It was this period that Social Democracy fully presented its reformism in both political and economic spheres. We can see how social democrats run the capitalist economy, or can demonstrate the social democratic perspective on the market economy and competition. We can also see how they contributed to the development of the welfare state. The examination will show that social democratic parties did not implement the policies to the extent that whatever their outcomes on their economies would be, but rather they avoided from the ‘negative’ impacts of their policies on the operation of the market economy. The examination of social democratic economics in the postwar period will furthermore demonstrate their way of dealing with the economic crisis. Moreover, I will argue that the examination should take into account the social and economic conditions those

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§ In a conversation Raşit Kaya said that nationalization was employed in France after WWII for punishing traitors.

occurred after WWII. After the mid- 1970s, I will assert, it has not been possible to achieve full employment and social democrats came to a pessimistic conclusion regarding the efficiency of Keynesian economics and in turn achieving full employment.

Under this pessimism, for the assessment of the employment policies employed by social democrats after 1980 within their tradition, I will state that social democrats have raised active labour market policies, either to increase employment (or decrease unemployment) as much as possible, or to reduce the heavy burden on the welfare state caused by high unemployment. As a result, against accusations of having undergone ruptures after 1980, or of moving to the viewpoint of the New Right, I will assert that the findings show that policies cannot be taken as definitive characteristic features of Social Democracy because changes may be expected in its policies, and thus analyzing the formation of Social Democracy merely through its policies is insufficient.

The Sixth Chapter will also present the policies of social democrats in times of economic crisis, which will envisage the policies of Social Democracy after 1980 under a constraining context that occurred concerning welfare expenditure. Therefore, this thesis will argue that the criticisms, arguing that social democratic economics has experienced discontinuity, are not supported by empirical analysis of Social Democracy in its *governing period*. However it is its principles, such as social justice, that will demonstrate its viability within the context of globalization.

In the Seventh Chapter, *social justice*, as a social democratic value, will be examined. The examination of social justice along with those of nationalization and of social democratic economics will demonstrate the shortages of the analysis of the establishment of Social Democracy through its policies. The social democratic perspective on social justice in its *governing period* will be firstly elaborated in detail, and then it will be compared with that since the mid-1990s. This thesis will assert that the analysis of the viability of Social Democracy cannot just be carried out by examining its policies of the postwar period, but rather the analysis should include the effects of their policies on social justice. That is to say that, for example, not mentioning the full employment does not mean that Social

Democracy has discarded social justice, because newly raised policies, such as active labour market policies, can contribute to the materialization of social justice from the social democratic perspective that is consistent with its history. Against its definition by its criticisms through its policies, which consequently reduces it to the confines of the nation-state, this thesis will offer its definition based on its principles, such as social justice, which presents continuity within the social democratic tradition.

The study will conclude by arguing that Social Democracy will be viable within the context of globalization by changing its policies in accordance with its tradition. In the concluding chapter, there will also be an effort to make a definition of Social Democracy deriving from its position in its governing years: it is a movement pursuing social justice within Capitalism. It will be claimed that the definition will demonstrate the shortages of the analysis of Social Democracy merely through its policies within the context of globalization by focusing on one of its values, social justice.

## CHAPTER TWO

### DEVELOPMENTAL TRENDS OF EUROPEAN SOCIAL DEMOCRACY<sup>1</sup>

#### 2.1. Introduction

Social Democracy has contributed to the development of today's European countries. Among them, the development of democracy, the improvement of the conditions of the lower classes, and the construction of the welfare state were significant ones. Against the arguments considering the developments as a concession made by the bourgeoisie due to the Cold War, Sassoon rightly argues that the reformation of Capitalism has been achieved by the social democratic struggle, not through the concession of capitalists against the rising working class militancy (Sassoon 1996: 31-32).

The social democratic contributions to the development of democracy through the spread of universal suffrage, and of the parliamentary system have also been significant. Ferdinand Lassalle (1825-1864), one of the leading ideologues of German social democracy, placed the role of the working class clearly in the emancipation of mankind. It has been Social Democracy, like other ideologies on the Left, who eagerly stood for the extension of the suffrage and in turn the participation of the lower classes in the decision-making process at every level of governments. Against such crucial contributions, there have been accusations directed to Social Democracy as having experienced ruptures within its tradition.

The examination of the developmental trends of the European Social Democracy demonstrates that such accusations are not unique to the period that started after 1980. For example, its emergence has been explained by

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<sup>1</sup> Throughout this study, Social Democracy, European Social Democracy, and Labourism will be used interchangeably.

‘revisionism’<sup>2</sup> through Bernstein’s criticism of Marxism in the 1890s. A misconception occurred against Social Democracy, that it was an ideology breaking from a revolutionary tradition or Marxism. The ‘revisionist’ debates were within the *Sozialdemokratische Partei Deutschlands* (Social Democratic Party of Germany/SPD). Such a misunderstanding has continued until today by affecting the criticisms concerning the establishment of Social Democracy within the context of globalization.

The accusations of having undergone discontinuity the social democratic tradition came to the foreground once more in the postwar period. The endorsement of the welfare state and Keynesian economics, and consequently the change of the nationalization policy by social democratic parties were criticized as another ‘revision’ that Social Democracy experienced in the postwar period. The ‘revisionism’ at this time has been considered as its acceptance of Capitalism.

The ideological position of Social Democracy after the emergence of the New Right in the 1980s has been criticized as its move to the Right, which meant as another discontinuity. It has been argued that Social Democracy has abandoned some of its significant objectives, such as nationalization, full employment, and the welfare state. Besides these, it has been argued that social democratic parties have broken their ties with the working class and have come to the viewpoint of supporting the market economy. The significant developments after the 1980s, such as the collapse of the Soviet Union and the further development of the European Union, have allegedly contributed to this move. This move and the rise of globalization envisage, according to many of its criticisms, meant the collapse of Social Democracy. Here emerges the theme of this study: the analysis of the viability of Social Democracy within the context of globalization through the debates concerning continuities and changes within its tradition in cases of the BLP and the SPD.

In this chapter, the criticisms concerning the establishment of European Social Democracy within the context of globalization will be historico-critically challenged through the analysis of its developmental trends, especially after

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<sup>2</sup> I will use the terms discontinuity, rupture and ‘revisionsim’ in the same meaning.

Second World War (WWII), in terms of continuities and changes within the tradition. It will be claimed that the critiques of Social Democracy after 1980 should be carried out by comparing its stance that was elaborated in the postwar period. Therefore, throughout the analysis, the history of Social Democracy is divided into three periods: The first period is called the *formation years* (period) that comprises the years between its emergence and the end of WWII, while the second period is called the *governing years* that includes the years between 1945 and the late 1970s or early 1980s, the last period is called the *adoption years* that involves the period from the early 1980s until the present time. Before going into the examination of the tradition of Social Democracy in the course of its history through the three periods, a brief analysis of its reformist viewpoint from its emergence will contribute to the continuity and change debates concerning it.

### **2.1.1. The Position of Social Democracy**

This thesis will assert that the studies concerning the Social Democracy of the *formation period* should consider it as an movement that was distinct from the standpoint of political parties<sup>3</sup>, those who calls themselves as social democratic, 'socialist' or labourist. This is because in the formation period, the parties, such as the SPD, comprised almost all ideologies on the Left, such as Social Democracy and Marxism. Without considering Social Democracy as a distinct ideology from the position of the parties in the formation period, the studies will fail to understand its tradition. Such a failure would cause the difficulty of understanding (or envisaging) its stance on newly emerging issues.

In this regard Bernstein's ideas of Social Democracy are quite revealing. He argued that Social Democracy is a movement not a commitment to a rigid "final goal of socialism". It can be argued that such an approach will demonstrate that the common stereotype, which equates Social Democracy with nationalization, command planning and a strong central bureaucracy have been

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<sup>3</sup> It may be because of this reason that Berki (1975) and Padget and Paterson (1991) perceive Social Democracy with a diverse nature. Padget and Paterson argue that it emerged through "a division in the socialist tradition". This division was between a group seeking "to realize socialist ideals within the institutions of liberal capitalist society (social democrats)" and the one seeking to overthrow the institutions of liberal capitalist society through revolutionary force (Padget and Paterson 1991:1).

with only a few exceptions entirely inappropriate as a description of social democratic politics for over 100 years. Much of the material, which talks about a crisis of Social Democracy, is therefore misplaced when applied to contemporary Social Democracy. Therefore, this thesis will claim that the analysis of the formation of Social Democracy merely through party politics would be an oversimplification.

The analysis of the social democratic movement furthermore, will demonstrate that Social Democracy composed of at least two traditions: British Laboursim/evolutionism and German social democracy in the *formation period*. The SPD and the BLP appear to represent two extreme sets of goals and ideals within Social Democracy. Before the First World War (WWI), along with Marxism, German social democracy had existed within the SPD before the appearance of Bernstein's 'revisionism'. British social democracy, which is also called as *Labourism*, on the other hand, developed within the British organized labour and did not employ Marxist conceptions. It is difficult to find arguments for the revolutionary overthrow of Capitalism in the tradition of the BLP. As a result, it will be claimed that these findings explicitly demonstrate the subsistence of Social Democracy as a reformist movement along with revolutionary movements in the formation period. It was a reformist movement that implied its viewpoint against the two systems: Capitalism and Socialism, in favor of the first one. This argument however requires further elaboration to be carried out in the following part: the *formation period* of European Social Democracy.

## **2.2. The First Period of European Social Democracy: Formation Years**

The *formation years* of the European Social Democracy comprises the years from its emergence until the end of WWII. In this period, its formation as a distinct reformist movement within the family of 'socialist' movements was completed. The term "formation" implies first and foremost, the *political* struggle for its ideological and organizational recognition. As such, like other ideologies on the Left, it sought to improve democracy through the extension of the universal suffrage and of the power of parliaments. The fight for the establishment of civil and political rights/freedoms was a significant part of the goal of the movements.

In the formation period, as Przeworski (1981) argued as well, Social Democracy actually did not have economic policies congruent with its reformist standpoint in the political sphere. Its reformism in the economic sphere was to be fulfilled by its adoption of Keynesian economics starting after the Great Depression in 1929. It gradually adopted Keynesianism as its economic policies that lasted after WWII. It was after this adoption, it can be argued, that the reformism of Social Democracy fully developed. The examination of the context of the formation period will contribute to the elaboration of the development of the reformism of Social Democracy, comprising both political and economic spheres.

One of the significant developments in the formation period was the crystallization of the capitalist society through the growing of conflicting classes: the Proletariat and the Bourgeoisie. Through this crystallization, there emerged an increase of income gap between the upper and lower classes, and in turn an increase of poverty and misery. These inhuman conditions led to the increase of discontent regarding the social and economic conditions or that of capitalist society, and in turn to the rise of the social and political organizations promoting resolutions for the discontent. Among these, the working class organizations took priority.

It should however, be mentioned that the aim of these organizations was not limited to the discontent mentioned above. To some extent, they sought to extend civil and political rights and freedoms as some sort of continuing process of the Enlightenment. The extension of universal suffrage, the increase of the power of parliaments, and the recognition of the 'working class organizations' were raised as a critique against the bourgeois appeal of liberal political organizations. Although the gains, such as the development of parliaments and equal opportunity, until that period were considered as significant achievements by early social democrats, they argued for further extension of them. Along with these reformist movements, there were revolutionary movements, such as Marxism as well. Their peak would be the Marxist-Leninist Revolution in Russia. It can therefore be argued that reformist movements existed within the 'socialist' organizations until the October Revolution in Russia, and 'socialist' parties of this period comprised almost all these factions.

The effects of the October Revolution were various on either movements or the organizations on the Left. The first impact was that the union of reformist and revolutionist movements in the Second International ended after the Revolution. The Revolution provided the radicals in the working class as an example for establishing Socialism. With the foundation of the Third International, the *Comintern*<sup>4</sup>, led by the Soviet Union and their pressure on the adaptation of their principles, made the organizational separation between revolutionaries and reformists unavoidable (Sassoon 1996: 31).

The two world wars were other significant events of this period. While the wars entailed the organization of an economy by governments in war, (state intervention in economy) such experiences contributed to the rise of economic policies other than those of classical liberal economics. It was argued that state intervention would not worsen the economy, but rather would contribute to efficient use of resources. The Great Depression contributed to such arguments as well.

The Great Depression that started in 1929 further contributed to the rise of the state intervention in the economy. John Maynard Keynes developed his theory through these events, and argued that without the intervention it is difficult to achieve an economy working at the full employment level. Keynesian economics therefore, brought new economic policies that can be employed within the framework of the capitalist economy, which was almost a 'revolutionary' finding for the reformist movements, such as Social Democracy, in the formation period.

It was this period, especially between the world wars and during WWII, that there emerged a growing support for a welfare state. Among these, the Beveridge Report did have a significant place. It was written during WWII by the demand of the British war-time coalition government which was established by the Conservative Party (CP) and the BLP. The development of the idea of welfare state, like that of Keynesian economics, presented reformist movements how to

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<sup>4</sup>The line of 'class against classes' was adopted by the Comintern as another variation on the insurrectionary model. It defined social democrats as 'social fascists' and as 'the main enemy', thus making the constitution of a broad anti-fascist front impossible. The increase in the communist vote thus contributed to the destabilization of the Weimar Republic` (Sassoon 1996: 38). Okyayuz says that social democrats, on the other hand, called communists as 'red fascists' (Okayayuz, unpublished Lecture notes).

fulfill their egalitarian objectives. It can therefore, be claimed that while the developments before and during WWI envisaged the achievement of the political demands to some extent, those before and during WWII led to the formation of the social and economic policies of Social Democracy.

Through the formation of Social Democracy in the capitalist society, there raised arguments that it was abandoning the socialist heritage, which was the Marxist one. The examination of the state of Social Democracy within the formation period will therefore be carried through questioning such arguments considering its emergence through the 'revisionist' debate. The examination is significant because such a misunderstanding concerning Social Democracy as a 'revisionist' version of Marxism has negatively contributed to its criticisms concerning continuity and change within its tradition. In other words, this misunderstanding would mislead to two conclusions: Social Democracy as a revolutionary movement from its emergence, and as discontinuity intrinsic to its tradition.

Throughout the examination, this thesis argues that Social Democracy cannot be considered as 'revisionism', but as a reformist movement it had been present within the organizations on the Left, even before the establishment of the SPD in the 'socialist' family comprising both Social Democracy and Marxism. The examination of the ideas of Lassalle will be demonstrative for the inappropriateness of the 'revisionist' argument even for German social democracy. Moreover, the standpoint of British social democracy in the formation period is a significant fact for the subsistence of Social Democracy before the advent of the impacts of Marx into the organizations on the Left. As such, questioning the presentation of their methods, such as revolutionary or parliamentary, as the cause of the emergence of Social Democracy will contribute to the elaboration of either its existence or its stance along with Marxism. As a result, the examination will verify the shortages of the analysis of Social Democracy through party politics by its criticisms.

### 2.2.1. Briefly Comparing Social Democracy and Marxism

It can be argued that Social Democracy as a distinct reformist movement on the Left, subsisted along with revolutionary movements within the ‘socialist’ movements in the Nineteenth century. Social Democracy was against *laissez-faire* capitalism, and was able to attract supports among the middle-classes as well. Both ideologies subsisted within the same political parties in the formation period. The SPD demonstrates a typical example of this. There are however, more distinctions than similarities between the reformist and revolutionary movements.

One of the significant differences between Social Democracy and Marxism lied in their method of achieving Socialisms. Sassoon argues that “armed insurrection was not systematically advocated as a strategy by any of the leading members of Social Democracy in countries in which legal work was possible” (Sassoon 1996: 18-19). Marxists/communists, on the other hand, “believed that ‘liberal’ democratic institutions could not be fully utilized for the seizure of power and that they were incompatible with the establishment of a society” (Sassoon 1996:41-42). There were however, debates even among Marxists on the necessity of revolution as a method<sup>5</sup>. While the Leninists argued that revolution is inevitable, some, like Kautsky, argued that “violent revolution depended on the particular situation, and especially on whether there existed legal and peaceful means to achieve the conquest of power” (Sassoon 1996:18-19).

It should however, be mentioned that the way to establish Socialism was a hot debate between V. I. Lenin and K. Kautsky. Kautsky argued that democracy and in turn the parliament is the only way to establish Socialism for the countries such as Britain and the United States of America (USA), where bourgeois-liberal democracy had developed. He argued that Marx (and also late Engels) did not use the concept of dictatorship in its verbal meaning, as in his opinion is the way Lenin understood it. Rather, according to Kautsky, Marx considered the Paris Commune as a proletarian dictatorship and in the Commune almost all socialist groups had been represented, unlike that which was done in the Soviet Republic (Kautsky 1976: 555). It can therefore be stated, that the employing parliamentary method of

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<sup>5</sup> In a conversation with Okyayuz, he said that Engels read Marx as a reformist after Marx’s death.

achieving Socialism is not a cause for the emergence of Social Democracy. Rather the debate on the method of achieving Socialism was the one among Marxists, such as Lenin and Kautsky.

### **2.2.2. Conceptions of “Socialisms”**

The examination of both social democratic and Marxist conceptions of ‘Socialisms’ will verify the subsistence of Social Democracy as a reformist ideology within the ‘socialist’ organizations in the formation period. There is no doubt that the method of achieving “Socialisms” was a fundamental difference between Social Democracy and Marxism. However, employing methods as a cause of the emergence of Social Democracy is inappropriate, because their final goals, social systems, were not the same. Their conceptualization of their ‘Socialisms’, as analyzed below, it can be argued, nullify the employment of their methods of achieving their ‘Socialisms’ as a cause of the emergence of Social Democracy. Therefore, their conception of ‘Socialisms’, which comprise one of the crucial distinctions between them, requires examination.

Employing the method of achieving ‘Socialisms’ as the cause of the emergence of Social Democracy, this thesis states, causes the neglecting of the contents of their conceptions. Socialism, as argued by Marx and Engels, would be the political dictatorship by the proletariat as a step on the way of establishing Communism (Marx and Engels, Communist Manifesto). The proletariat would seize political power and prepare the conditions for Communism. This includes the appropriation of the means of production, which is the state ownership of the production, distribution, and exchange. This is inevitable, because Marxism saw the capitalist state as an instrument of the capitalist class. The socialist state, therefore, would be the instrument of the proletariat. Thus, the goal for Marxism is not to conquer the capitalist state, but to destroy it and establish a new order instead, which will be a communist order.

The conception of social democratic ‘Socialism’, on the other hand, was not the appropriation of the means of production and the conquest of the state in the name of the working class. It can be argued that right from the beginning, within the SPD, there can be found the reformist characteristic of Social

Democracy, such as controlling the state through parliamentary means<sup>6</sup> and organizing it for the benefit of the working class. These reformist objectives were raised by Lassalle and later by Bernstein. It can therefore be argued that Social Democracy not only explicitly rejected any kind of revolutionary means as its goal, but would use the capitalist legal system for achieving its goal as well. The examination of the means of Social Democracy should thus bear in mind the famous saying of Bernstein: “the goal is nothing; the movement is everything” (Bernstein 1993).

According to the social democratic conception of ‘Socialism’, unlike that of Marxism as mentioned above, did certainly not mean the destruction of the capitalist state once and for all, but it includes the ‘transformation’ of the state for the emancipation of mankind. The ‘transformation’ would not be through the dictatorship of the proletariat, but through the social democratic majorities within their respective parliaments. Parliamentary method or social democratic majorities brings us to examine the appeal of Social Democracy to social classes.

It has been a common understanding that Social Democracy has been a working class ideology. Along with its insistence on parliamentary majority, the examination demonstrates that there were arguments for the appeal of social democratic parties to the support of the other classes, such as the agrarian one, which will be further elaborated in the Fourth Chapter. In other words, social democrats did not solely want to base their parliamentary majorities on the working class, but they also wanted to gain support of the other classes. This has been a significant factor in Sweden for the success of the Swedish social democrats. While in Germany the concept of ‘people’s party’ had been employed for the SPD long before the *Bad Godesberg* Program in 1959, in Britain the middle-classes played a significant role throughout the development of British social democracy, although the foundation and the development of the BLP was carried out by the trade unions. As to be examined in the Fourth Chapter as well, it can be argued that Social Democracy has never merely been a working class

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<sup>6</sup> Lichtheim (1970) and Berki (1975) argue that the raise of universal suffrage and the existence of parliaments led social democrats assert for a peaceful transformation from capitalism to ‘Socialism’.

ideology as Marxism was, especially in terms of its demands. The case of the British social democracy is particularly demonstrative for this argument.

### **2.2.3. British Social Democracy in the *Formation Period***

In terms of its development, British social democracy, it can be argued, presents an explicit example of the reformism of Social Democracy. Although in Continental Europe, Social Democracy and Marxism existed together within the same political parties in the formation period, such as the SPD, in Britain, this was not so. The evolutionary ‘transformation’ of capitalist society, which was called ‘Socialism’ as well, was at the centre of the British (labourism) social democracy.

The development of British ‘Socialism’ ideologically diverged from that of German ‘Socialism’. Sassoon argues that, “like Bernstein (who was certainly influenced by the Fabians, and formulated his so-called ‘revisionism’ while living in London between 1888 and 1901), they did not believe in any inevitable collapse of capitalism” (Sassoon 1996:16). Revolution was never become a mean for attaining ‘Socialism’. The nationalization policy however, was its radical aspiration for the ‘transformation’.

The rise of ‘Socialism’ in Britain, according to Adelman (1996), goes back to the 1880s. The ‘socialists’ of this period were mostly from the middle class (Adelman 1996:2). The Social Democratic Federation (SDF) was established in 1884 by a bourgeois, H. M. Hyndman. He argues that the Federation was not socialist, and its radicalism was against Liberalism and Gladstone (Adelman 1996:3-4). The foundation of the BLP, on the other hand, goes back to 1900. The BLP was established as the Labour Representation Committee (LRC) by the trade unions, the SDF and the Fabian Society. Sassoon similarly asserts that “yet the trade unionists who accepted the LRC in the main were at heart still Liberal not Socialist” (Sassoon 1996:16).

### 2.2.3.1. The Fabian Society

Among these groups, which established the BLP, the Fabian Society<sup>7</sup> was a significant contributor to Social Democracy in Britain. The Fabian Society was founded in 1884. The society “emerged out of the ethical Fellowship of the New Life” (Adelman 1996:7). Sassoon argues that the Society “was entirely middle-class intellectual organization which drew its main inspiration from the British radical utilitarian tradition, was never Marxist and opposed the formation of an independent socialist party”. According to Bernard Shaw, one of the founders of the Fabian Society, quoting from Sassoon (1999), their objective were, while opposing reactionary actions, to support the developments for ‘Socialism’ and democracy through “progressive ‘bourgeois’ reforms” (Sassoon 1996:15-16).

The Fabians however shared “Marx’s conception of historical change and of the nature of capitalist society”, but they disagreed with Marx’s views on the capitalist economy (Adelman 1996: 7-8). According to the Fabians, while capitalist society is “an unjust and an inefficient society”, its evolution into ‘socialist’ society is in the process “through increasing state intervention and municipal enterprise” (Adelman 1996: 7-8). This development would be carried out throughout “the technological and institutional change”, the progress of democracy and the struggle given by the working class (Adelman 1996: 7-8).

The Fabians’ conception of ‘Socialism’, according to Adelman, did not entail the expropriation of the private means of production, distribution and exchange but “state and municipal ‘Socialism’”<sup>8</sup>. This would be achieved by the enlargement of the state “control over dairies, milk-shops, bakeries, baby-farms, gasometers, school of anatomy, vivisection laboratories, explosive works, Scotch herrings and common lodging houses” (Adelman 1996:8).

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<sup>7</sup> However, it should be mentioned that there have been arguments regarding the role of the Fabians during the establishment of the British Labour Party. Adelman argues that “no major political development can be attributed with certainty to Fabian influence –McBriar; the achievement of the Fabian Socialists have been grossly exaggerated –Paul Thompson; while Hobsbawm, subjecting them to a severe Marxist scrutiny, decides that ‘they must be seen not as an essential part of the socialist and labour movement ... but as an ‘accidental’ one ... they had ... no place in the British political tradition (Adelman 1996: 9-10).

<sup>8</sup> Such a perspective of the Fabians would be elaborated in the postwar period by the adoption of Keynesian economics and welfare state.

More significantly, in the ideas of the Fabian Society, 'Socialism' "was, as it were, 'implicit' in contemporary capitalist society". Therefore, for them "the Marxist (and SDF) doctrine of the inevitability of revolution was both irrelevant and absurd; rather, the 'inevitability of gradualness' was a fact of life". The role of the Society through 'inevitability of gradualness' would be "to make the transition to socialism as painless and effective as possible through the conversion of society, not with emotional rhetoric and street brawls, but with rational factual socialist arguments" (Adelman 1996: 8). For this aim, the Society would try "to convince men, and especially men of influence, of the truth of the socialist case" by way of "lectures, discussion groups, research and writing, hobnobbing with the Establishment, writing reports and speeches for working men, acting as members of and giving evidence before committees and commissions" (Adelman 1996: 8).

Unlike the evolutionary standpoint of the Fabians, during and after WWI, there emerged nationalization as some sort of radical aspiration of the British social democracy. The gradual adoption of nationalization however, as a mean for establishing 'Socialism' by the British social democrats occurred after the October Revolution; it became the Fourth Clause of the BLP's Constitution. It was adopted, according to Sassoon, to prevent the separation of the radicals from the Party (Sassoon 1996: 16). It should however be mentioned, that Sassoon misses the impacts of the context that favored the rise of nationalization policy arisen from the state of the British economy.

Apart from the rise of nationalization through the impacts of the context in the formation period, British social democracy sought to establish its political organization. In its political struggle, like the British trade unions, it was very close to the liberals/the Liberal Party. After WWI however, their divergence from liberals grew. The British social democrats did not have different economic policies from the liberals, except nationalization, and also it was not peculiar to the labourists.

In sum, it can be claimed that the British social democracy was evolutionary both theoretically and practically, and opposed revolutionary methods for achieving 'Socialism'. The British social democrats up until after WWI, allied with the liberals. Their alliance was not limited to that at the parliamentary level.

Some trade unions supported the Liberal Party and there was a strong tendency within the British labour movement for liberal bourgeoisie democracy. With the rise of the nationalization policy and that of their electoral strength superseding the liberals, they became one of the leading forces within the British politics between the two world wars. As a result, it can be stated that the evolutionary stance of the British social democrats verifies the existence of Social Democracy as a reformist movement in the formation period. The development of German social democracy however, demonstrates a relatively radical origin of Social Democracy.

### **2.2.5. German Social Democracy in the *Formation Period***

It should firstly be stressed, that as a reformist ideology, as mentioned above, Social Democracy had existed within the movements on the Left in Germany long before Bernstein's appearance as a 'revisionist'. The *Allgemeiner Deutscher Arbeiterverein* (ADAV) was established by one of the reformists, Ferdinand Lassalle in 1863. The aim of the ADAV was to change the German electoral law and come into power by parliamentarian means. Kavukçuoğlu argues that the influence of Lassalle among the German working class had continued until the 1880s when Marx's influence appeared (Kavukçuoğlu 1998:15). However, although comparatively less apparent, Lassalle's ideas continued to subsist within the SPD. It can be contended that the existence of reformism within the German 'socialist' movements demonstrates the deficiency of the 'revisionist' argument concerning Social Democracy. The examination of Lassalle's ideas will further elaborate this deficiency.

#### **2.2.5.1. Ferdinand Lassalle**

Ferdinand Lassalle explicitly rejected the concept of revolution as a means for social transformation. He argued that revolution is unnecessary, because the developments that occurred within social and economic structure had already changed society. What needs to be done is to adapt the legal system in line with the developments within the structure. For him, it is impossible to reverse these developments back to their old level. It is useless, according to Lassalle, to oppose changing the legal structure in accordance with the developments. In other words,

the progress is unavoidable (Lassalle 1976: 225). His stress on unavoidable characteristic of progressive development allows us to argue that Social Democracy is intellectually a continuity of the Enlightenment. This argument however, requires further elaboration.

The pioneer of the further development of society would be the 'fourth level' of a society. The 'fourth level' of society, according to Lassalle, is the working class. The working class would adopt its principle as that of whole society. The principle of the working class is different from that of the bourgeoisie, because it does not want to create new privileges. The 'fourth level' therefore truly represents humanity. Its emancipation is that of humanity (Lassalle 1976: 235).

The adoption of the principles of the working class as that of whole society is dealt through three principles: The means of carrying out the adaptation, the ethical content of the principle and the political role of the state within the principle. According to Lassalle, the means of carrying out the principles of the working class as that of whole society is general and direct suffrage. The state, for Lassalle, could be persuaded and democratized, and thus the changes, which they wanted to carry out, would be secured (Lassalle 1976: 235-237; Kavukçuoğlu 1998:14). Such a reformist viewpoint of Lassalle demonstrates the deficiency of the 'revisionist' argument.

Lassalle argued that the bourgeoisie wants a state for merely the protection of the freedom and property of the individual. This is merely the role of a 'night watchman'. The 'fourth level', on the other hand for him, describes the duties of the state more realistically. According to Lassalle, the ethics of the working class does not only include the free and limitless use of personal power, it should also include solidarity, sharing the fruits of development, and mutual understanding of each other (Lassalle 1976: 240). He, furthermore, argued that the state has the duty to develop the emancipation of all mankind. It contributes to the development of each individual (*positive equal opportunity*), which is not possible when they are left alone. More or less this development had been in progress even against the consciousness of the bureaucracy by the state. The history that was started with February, 1848, has undertaken the responsibility of achieving such an

understanding of the state (Lassalle 1976: 240-241). Lassalle's reformism was present in the Programs adopted by the SPD in the formation period.

#### **2.2.5.2. German Social Democracy in the Programs of the SPD**

The existence of the reformist movements can be demonstrated through the analysis of the early programs of the SPD in the *formation period*. The ideas of Lassalle are present in the programs of the SPD: The *Eisenach* Program of the *Sozialdemokratische Arbeiter Partei*, adopted in 1869 prepared by August Bebel, was not a Marxist program, although it had some radical demands. The *Eisenach* Program wanted the democratization of the German (capitalist) state in favor of the working class. The demands included general education, the right to vote, secularism, judicial independence, free press, participation in law making and direct taxation (*Eisenach* Program in Kavukçuoğlu 1998: 17-21). These demands constituted reformism in the political sphere.

The influence of the reformists, Lassalleans, can be demonstrated by examining the *Gotha* Program of the SPD. The *Gotha* Program was adopted in 1875. It is difficult to argue that it was Marxist. It wanted to establish a free state and the 'socialist' state through all legal means (*Gotha* Program in Kavukçuoğlu 1998: 17-23). It was this program that was severely criticized by Marx. After the Program however there emerged a radicalization among the German social democrats.

It should be mentioned that the (*Sozialistengesetz*) Socialists Law of 1878 contributed to the rise of radicalism within the German 'socialist' movements and in turn to the growing influence of Marx over that of the Lassallean's within the German social democracy (Kavukçuoğlu 1998: 33-34). For example, in the *Gotha* Program the phrase 'all the legal mean' was deleted after the introduction of the Socialist Law (Kavukçuoğlu 1998: 35).

With the abrogation of the Socialists Law in 1890 the radical aspect of the German social democracy, however, was curtailed and in turn the SPD adopted the *Erfurt* Program. The leading contributors to the Program were K. Kautsky and E. Bernstein. The *Erfurt* Program had both social democratic and Marxist elements.

Although it analyzed the conditions of the working class from the Marxist point of view, it rejected revolutionary means (*Erfurt Program* in Kavukçuoğlu 1998:40).

The *Görlitz Program* of the SPD in 1921 has a significant place among its programs. By the Program, the SPD appealed to the classes other than the urban working class. The Program said that the SPD had become a people's party, not just a party of the working-class long before the *Bad Godesberg Program* in 1959. According to the Program, The SPD would be the party of both urban and rural workers (*Görlitz Program* in Kavukçuoğlu 1998: 48-50). It can be claimed that in terms of the social base of Social Democracy, the *Görlitz Program* is a significant evidence against the misconceptions considering Social Democracy as a mere working class ideology.

However, after the amalgamation of the SPD and USPD in 1922 a new program, the *Heidelberg Program*, was adopted in 1925. The Program, according to Kavukçuoğlu, was a compromise between the *Erfurt Program* and *Görlitz* one. Kavukçuoğlu argues that in the *Heidelberg Program*, the *Görlitz*'s parts, which did not accord with Marxism, were rewrote (*Heidelberg Program* in Kavukçuoğlu 1998:102).

The impacts of the October Revolution in Russia, as mentioned above, were comparatively greater on the ideologies on the Left in Germany. It contributed to the radicalization of some elements of the working class, and in turn, to the crystallization of the differences between them. Within the activists on the Left, there emerged three distinct groups: social democrats, communists and traditional conservatives, especially from the Catholic Center Party. Besides these, there were also other groups basing on social, cultural, ethnic, gender and religious sectarian background among the German working class (Kavukçuoğlu 1998: 40).

It should however be asserted that the state of the Left in Germany was quite different. There were already splits within the socialist movement. There were the so-called Majority Social Democrats (the MSPD), the Independent Social Democrats (the USPD), and the Spartacus League dominated by Luxemburg and Liebknecht. Secondly, in 1918 they had a revolutionary situation on their hands. The old imperial state was in ruins (Sassoon 1996: 34; Fülbert 1999).

Before the subsidence of the quarrel between the movements or activists, there came Fascism in Germany. During the years of the fascist dictatorship, the social democrats were in exile and this relatively contributed to their radicalization. The SPD however, saw itself as the true heir of the Renaissance, humanism, the British, and French revolutions (Kavukçuoğlu 1998: 141-153). The subsistence of the reformist position of German social democracy before Bernstein in the programs of the SPD demonstrates that Social Democracy did not emerge with Bernstein's 'revisionism'. The examination of his theorization of 'Socialism' is however, still crucial for developing a sufficient method for the analysis of Social Democracy.

### **2.2.5.3. Eduard Bernstein**

Bernstein's contribution to Social Democracy in the *formation period* was significant, although he was the one who caused the raise of the argument presenting Social Democracy as a 'revisionist' ideology, which means breaking from a revolutionary tradition. Beilharz argues that, although he called himself a Marxist, he began to question many aspects of 'orthodox Marxism' and became a 'revisionist'<sup>9</sup> (Beilharz 1992:110). Bernstein's reformism (or 'revisionism' according to 'orthodox Marxism') played a very important role in the theoretical development of Social Democracy in the twentieth century. Many aspects of his program were to be adopted by all the major social democratic parties in Europe.

According to Beilharz, by 1898 Bernstein began to question the viability and desirability of the so-called 'final goal' of 'Socialism'. He regarded the concept as "the utopia of windbags". To Bernstein, the socialist movement in itself, and the process of 'Socialism' were more important. Bernstein's message was present in his famous formulation "the movement is everything; the goal is nothing". Bernstein argued that

At no time has my interest in the future gone beyond general principles, and detailed depictions of the future were never something I could read through to the end. It is present tasks and those of immediate future which occupy my thoughts and energies; perspectives beyond that

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<sup>9</sup> In one of his conferences in 1909, Bernstein did not mind calling himself revisionist (Bernstein 1976).

concern me only so far as they suggest guidelines for the most effective action in this regard (Bernstein 1993:5).

He argued that 'Socialism' was "not a goal but a principle" - a way of doing things rather than an end point (Bernstein 1993: 3-5; Beilharz 1992: 112). Bearing this point in mind, as a result, it can be claimed that with Bernstein principles became the defining characteristic of Social Democracy rather than its goals or policies. This thesis therefore states that the analysis of continuities and changes or discontinuities within the tradition of Social Democracy should always bear Bernstein's understanding of 'Socialism' in mind.

Bernstein moreover, not only feared revolution but counseled strongly against it, because of the chaos which, in his view, it would inevitably follow. According to Bernstein, the progress in the democratization of the "political institutions of modern nations" would reduce the necessity for revolution which would cause "great political catastrophes". For him, there were some developments, such as "factory legislation, the democratization of local government, and the expansion of its activities, the removal of legal restrictions on trade unions and co-operative organizations, the consultation of labour organizations in all work contracted by public authorities" that reduced the necessity for revolutionary transformation. As a result, like Lassalle, Bernstein asserted that "we are seeing the privileges of the capitalist bourgeoisie gradually giving way to democratic institutions" (Bernstein 1993: 2-3).

Bernstein, like Kautsky, evaluated 'Socialism' as a new form of order. As 'Socialism' was the product of order, not a chaotic collapse of the old order, Bernstein rejected theories of the "inevitable collapse of Capitalism" (Beilharz 1992:113). He argued that

The task of Social Democracy, for a long time to come, will be, not to speculate on the great collapse, but to 'organize the working class politically, train it for democracy, and fight for any and all reforms in the state which are designed to raise the working class and make the state more democratic (Bernstein 1993:4).

Bernstein accepted the need for a strong state and the maintenance of state power by arguing that 'socialists' could not reject capitalism as soon as 'Socialism'

emerged unless they wanted the economy to collapse, which would thereby set the stage for reaction.

Bernstein questioned many of the central arguments of classical Marxism, especially the belief that capital would become more concentrated, while the proletariat would expand. Firstly, he had envisaged the divisions to be occurred within the working class. According to Bernstein, “the proletariat is a mixture of extraordinarily varied elements, of social groups, which are even more differentiated than was ‘the People’ of 1789”. The change of the position of “the present propertied and ruling groups” would “quickly” cause the rise of the awareness among the proletariat as having “different nature of needs and interests, although they do indeed have more common or, at least, similar interests than antagonistic ones” (Bernstein 1993: 104). He, therefore, rejected the 'orthodox' theories of capitalist collapse and class bipolarization (Bernstein 1993: 22-28). Such ideas of Bernstein makes him significant for Social Democracy, not only because he had put forward ideas over the social base of Social Democracy, but because he had envisaged the social structural changes to be started in the late 1960s as well.

Against the ‘orthodox Marxist’ conception regarding “growing concentration in the industrial, distribution and agricultural sectors”, Sassoon argues, Bernstein asserted that the expansion of “small and medium-sized firms” and medium-income groups were present in Europe (Sassoon 1996: 17). Bernstein stated that the group earning medium-income, which was between 3,000 and 6,000 marks, in Germany between 1892 and 1907 did not decrease, but increased more than the increase of the population. In this period, the group with medium-income increased by 80 per cent, while that the population as a whole increased 25 % (Bernstein 1976: 386-387; Bernstein 1993: 56-66). Furthermore, peasants would not disappear; neither would the middle class (Bernstein 1993: 2; 61-62); nor would crises grow ever larger; misery and reform would not increase. He said that while, for example, tinsmiths had disappeared, and there emerged electricians (Bernstein 1976: 383; Bernstein 1993: 68-78).

In his arguments against the ‘orthodox Marxists’, there can also be found arguments against nationalization<sup>10</sup>, which will be analyzed in the Fifth Chapter in detail. According to Bernstein, the companies of his time reached immense sizes, and it became difficult to nationalize them. They did not only produce for Germany, but for the whole world as well. The trade of Germany increased three times between 1880 and 1907. The companies in the Marx’s time with 1,000–2,000 workers had been considered as very big, but in Bernstein’s time (1910s) there were companies employing 20,000 to 40,000 workers. Bernstein contended that Marx was not able to conceive these developments in trade and industry, because he could see only the emergence of these developments (Bernstein 1976: 379-381; Bernstein 1993: 101). Furthermore, Bernstein brought arguments against the co-operatives. He argued that co-operatives were generally inefficient and contributed little to the benefits of the working class (Bernstein 1993: 110-135).

On the other hand, “insecurity, dependence, social distance, the social character of production, the functional superfluity of property owners” would become more deep-seated. In short “crisis was not the motor of socialism” and “capitalist collapse was not inevitable” (Bernstein 1993: 79-97). He therefore asserted that the prospect of ‘Socialism’ should not depend on a decrease in the number of property-owners”, “*but on the increase of social wealth*” (Bernstein 1993: 61-62). This approach, it can be argued, envisaged the growth oriented policies of Social Democracy for the fulfillment of social justice in the postwar period.

Bernstein, according to Sassoon, stated that Capitalism entered a new stage, which was different from that when Marx developed his theory. The new stage of Capitalism “was able to avoid crises”. More significantly, there developed parliamentary democracy, which would enable “the working class to struggle against the bourgeoisie in conditions of legality and equality; power could thus be achieved peacefully and within the existing state”. Bernstein mentioned other developments, such as “the development of a complex banking system, the growth

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<sup>10</sup> Bernstein argued that “a trade union controlling a whole branch of industry (the ideal of various older socialism) would in fact be simply a monopolistic producers’ co-operative, and as soon as it was asserted and implemented its monopoly it would be in conflict with socialism and democracy, whatever its internal constitution might be” (Bernstein 1993:140).

of monopolies (cartels), the vast developments in communications” (Sassoon 1996: 17). Bernstein, Sassoon says, concluded that social democrats should evaluate their programs in accordance with the developments. Such arguments would be employed by social democrats, such as Crosland in the 1950s and Giddens in the 1990s, when they think that there emerged new conditions requiring different policies. As a result, it can be argued that the criticisms concerning the establishment of Social Democracy within the context of globalization should keep Bernstein’s theorization of it in mind.

In the light of this point, it can be stated that the elaboration of social democratic program (or programmatic renewal) in accordance with the developments that would occur has already been a characteristic of the social democratic tradition. Such arguments have been present throughout the history of Social Democracy. If such evaluations are considered as changes, then such changes cannot be taken as a break from the social democratic tradition, because such changes have already been inherent to its tradition. The evaluation of the policies of social democrats however, has been in accordance with their values.

To Bernstein, ‘Socialism’ was best conceived as the movement towards an order based on the principle of association. Politics could not be reduced to primarily a matter of class, but to the actions of citizens. In Beilharz’ view, Bernstein’s ideas of democracy include many contemporary conceptions, especially in his notion of justice as “an equality of rights for all members of the community”. Bernstein asserted that “nowadays we find the oppression of a minority by the majority ‘undemocratic’, although it was originally held to quite consistent with government by the people” (Bernstein 1993: 141). Democracy, for Bernstein, entailed ‘the suppression of class government’, not a continuation and extension into a proletarian state. Bernstein argued that democracy “indicates a state of society in which no class has a political privilege, which is opposed to the community as a whole. This also makes it immediately clear why a monopolistic corporation is anti-democratic” (Bernstein 1993:140). As the aim of Social Democracy, according to Bernstein, ‘Socialism’ was best understood as “the heir of liberalism” both “historically and intellectually”. Civil liberties and political

freedom were always to be given a higher place than the fulfillment of a grandiose economic program (Beilharz 1992: 113-140).

Bernstein, therefore, declared democracy as the pre-eminent principle of a socialist movement, and regarded the formation of the political and social organs of democracy as “the indispensable precondition” for the construction of the new order. Hence, Bernstein reversed the usual causal linkage of his time; it is democracy, which is the prerequisite of ‘Socialism’, and not the other way around. Democracy is not merely an instrument of the ‘socialist’ state, but the substance of ‘Socialism’ (Beilharz 1992: 115).

It should be mentioned that considering democracy as a significant principle of Socialism was not peculiar to Bernstein. Some Marxists, like Kautsky<sup>11</sup> (1976), as mentioned before, strongly stressed the significance of democracy for Socialism against Lenin. Kautsky argued that, although democracy would not eliminate the class conflict and the inevitable end of capitalist society and although it may not hinder revolution, it would avoid an early attempt for revolutions and would make revolution in itself meaningless. This is because, according to him, democracy would demonstrate the strength of every class. Democracy furthermore, would provide the progress of evolution continuously and in order. In a state where there is some level of democracy, the progress of the proletariat would be neither like that of the victory of the middle-classes, nor that of a violent revolution (Kautsky 1976:552).

Bernstein's rejection of Marxist "orthodoxy" lead him to propose a program built on redistributing wealth within a largely capitalist market system rather than a fundamental concentration on a revolutionary transformation of the entire system of capitalist production. In line with the substance of the programs, which had been adopted by the SPD at *Gotha* and *Erfurt*, he advocated concentration on achieving equality by state taxation and welfare programs. Furthermore, against socialists, such as Bloch and Calver who argued that without tariff protection

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<sup>11</sup> Against common misconception, this thesis claims that Kautsky is not a social democrat, but a Marxist. His discussion with Lenin is therefore a debate within Marxism on how to establish Socialism: whether by democracy or revolution. Such misconception has been based on the belief arguing that the emergence of Social Democracy started with the debate among Marxists on the method of achieving Socialism. Such understanding was challenged before.

German industries of his time could not survive, Bernstein asserted that the modern working-class has to allow free trade among nations and it has to find new ways to deal with the difficulties to be raised in the absence of the protectionist policies (Bernstein 1976: 371). It should however, be mentioned that throughout the end of the first period of Social Democracy, Bernstein's ideas became the core of the ideology of the German social democrats (Kavukçuoğlu 1998: 173).

It can be argued that, although Bernstein considered himself as a Marxist, he contributed to the crystallization of the distinction between Social Democracy and Marxism. He insisted on the significance of the political sphere for 'Socialism', such as 'security of civil freedom' and democracy. His understanding of 'Socialism' is significant for the continuity and change debates concerning Social Democracy between the formation and governing periods. With Bernstein, in the political sphere, Social Democracy can be depicted as follows: *It is a movement pursuing a set of principles, such as progressiveness, democracy and rejecting revolution explicitly for many reasons.* The relevance of his arguments became obvious after the October Revolution in Russia. The process of the organizational separation of Social Democracy from Marxism continued until WWII. As a result, it can be claimed that the examination of Social Democracy in the preceding part has demonstrated the insufficiency of its analysis merely through party politics.

#### **2.2.6. Conclusion**

In sum, the examination of the Social Democracy of the *formation period* demonstrated that it had existed as a reformist movement in both Britain and Germany. Its significant characteristics were democracy, gradual *progressive* development, and insistence on movement but not on goals. At its centre, there lied the political struggle, either for the extension of democracy (universal suffrage and the increase of the power of parliaments) or the recognition of the working class organizations. To some extent, this struggle in the political sphere was able to be achieved by the end of WWI. The Marxist Revolution in Russia contributed to the crystallization of the reformist viewpoint of Social Democracy, and in turn to the organizational separation between reformists and revolutionaries or between

Social Democracy and Marxism. Then, there emerged the question of developing the economic policies in congruence with its reformist position.

Through the extension of universal suffrage to the lower classes, although with weak parliamentary supports, there occurred the establishment of social democratic governments after the end of WWI, such as that by R. MacDonald (the BLP) in Britain and by the SPD in the Weimar Republic of Germany and later in the 1930s in Sweden by the SAP. These governments further contributed to the belief in the reformist ‘transformation’ of capitalist society. The Great Depression in 1929 and the rise of Keynesian economics along with war-time state intervention in the economy contributed to the formation of the economic policies of Social Democracy. Besides these, the belief in the egalitarian provision of the welfare state almost led to the completion of the picture for the reformists: what they wanted and how to achieve them. In other words, it can be claimed that by the end of WWII Social Democracy had completed its formation. Its *governing years* then would become the period for the elaboration of this standpoint in the postwar period.

### **2.3. The Second Period of European Social Democracy: *Governing Years***

#### **2.3.1. Context**

One of the significant characteristics of the postwar period was to a greater extent the existence of a widespread support, including the Right, for what can be called social democratic politics. In both Britain and Germany governments by right-wing political parties, such as the Conservative Party (CP) in Britain, and the Christian Democratic Parties (CDU and CSU) in Germany did not lead to the abandonment of the welfare state, but rather to its development. In Britain, even the nationalizations carried out by the BLP, except those of the iron and steel industry, were not reversed by the CP. In Germany, the CDU/CSU significantly contributed to the development of the German welfare state until their Grand Coalition with the SPD in 1966. In other words, Keynesian economics, including a full employment policy and a welfare state, were able to find wide-spread support in the postwar period until the end of the 1970s. It is because of this widespread

support as well as of the electoral successes of social democratic political parties that the postwar period is called the *governing period* of Social Democracy in this thesis.

There have been some other developments that have contributed to the formation of the widespread support for the social democratic politics. Among these the emergence of Cold War between the advanced capitalist countries represented by the North Atlantic Treaty Organization (NATO) and the socialist countries by the WARSAW Pact under the leadership of the former Soviet Socialist Republic Countries (SSRC), along with the fascist experience before and during WWII, have been considered as the causes of the rise of support among the Right for egalitarian policies, such as the welfare state and full employment. Such an argument, however, fails to explain the rise of the New Right in the early 1980s that is long before the collapse of the socialist regimes in Eastern Europe and of the SSRC. When the New Right was adopted in Britain and the United States, the socialist regimes still existed as some still do. It can therefore be argued, that it was the positive impacts of the social democratic kinds of the policies on the social and economic developments in various countries that had been relatively more significant for the move of the Right to the acceptance of egalitarian politics to some extent. The developments in and between the world wars however, were more significant.

In the inter-war era, significant changes occurred in the social-economic structure of advanced capitalist societies. The changes disproved the assumptions of classical liberal economic theory. During the worst economic crisis throughout capitalist history in 1929, interventionist policies were put into practice in the USA and Sweden, particularly those for fighting unemployment. These policies were theorized by J. M. Keynes. It was during this time that social democrats came to office in Sweden with interventionist policies, which continued until the mid-1970s. According to Lichtheim, the period that started at the end of WWI (1914 to 1964) “did in fact witness a gradual transition from liberal to social democratic predominance in politics and from economic *laissez-faire* to the mixed economy and the welfare state” (Lichtheim 1970: 259). Such changes opened a way for

Social Democracy to take power in almost all northern countries in the postwar period (Berki 1975: 94).

After WWII, today's developed countries were experiencing the impact of the many changes in their economies wrought by war-time planning, rationing and the welfare reforms of the Beveridge Report. In Britain, a national health service was introduced along with a comprehensive governmental education system. Such changes showed how the intervention of the state in the economy could improve the economic efficiency through low inflation, full employment, and a higher economic growth rate. Successful experiences were seen in Britain, the USA, and Sweden. Since the later half of the 1930s, many of the ideas of Keynes proposed the intervention of the state in the economy were put into practice.

Moreover, in both world wars, the state had actively intervened in the economy. For example, in Britain the state regulated housing, industrial production, food and clothing supply, and the level of services during WWII. Such intervention had yielded, not only an economy capable of meeting the demands of total war, but had also substantially improved the nutritional levels and standards of health of the lower strata of society (Richardson and Travers 1993: 81-116).

Besides these developments, it was full employment that made the social democrats, such as Crosland, optimistic. In the *Future of Socialism*, for example, full-employment and its results for social justice are considered very important achievements by him (Crosland 1980). In addition, Crosland argued that as the right to vote spread to lower income earners, support for reducing inequality and poverty in capitalist society increased. Between the two world wars and after WWII, social democratic parties were able to come into power in a previously unanticipated strength. This made social democrats more optimistic about fulfilling their principles through the parliamentary method.

There were also signs of a reduction in the inequality between the rich and poor and injustice in society as a result of war-time rationing, the British national health scheme and the effects of Beveridge's welfare program. In the 1950s, the rise of Keynesian economics and the welfare state, it was argued, had transformed capitalism in northern countries to an unprecedented degree. All these changes led many social democrats, such as Crosland, to claim that the capitalism of the 1950s

was radically transformed from that of earlier times. Capitalism was no longer the enemy of social justice it once had been. After WWII, the reformist stance of Social Democracy regarding the social and economic fields (welfare state and Keynesian economics) came to the surface; that is, the rule of capitalism in its interventionist guise of the 1950s.

The organizational separation of Social Democracy from Marxism, which had contributed to the disclosure of its reformism, it can be stated, did not last long at least in Germany until the early 1950s. Through the disclosure, it developed an attitude rejecting of Marxism rather than Capitalism. Although the German social democracy had presented such an attitude with the impact of fascism and then WWII, it could elaborate this stance by the adoption of the *Bad Godesberg* Program in 1959. With the adoption of the *Bad Godesberg*, the SPD's oscillation between Social Democracy and Marxism ceased. Instead of the working class, the concept of '*volkspartei*' was presented as the social base of the SPD.

The 1950s and 60s can be defined as the politically dominant era of Social Democracy with its policies such as Keynesian economics, full employment and the welfare state (Lichtheim 1970:259). Keynesian economics, including full employment along with the welfare state, according to Padget and Paterson, brought "a resolution to the historical conundrum of how to reconcile socialism and the market, opening the door to a 'third way' between communism and capitalism". Keynesian economics "legitimized the doctrine of equality" as well. The legitimation occurs through "economic expansion depended on broadening the base of consumption through a more diffuse distribution of income and wealth". Keynesian economics furthermore, brought "a formula for a high-performance economy in which the claims of capital and labour could be reconciled" (Padget & Paterson 1991:22-23).

Until the mid-1970s, social democratic redistribution had worked very well, especially in Sweden. While the Swedish social democrats came to power with these policies in 1932, it was only in the postwar period that this style of Social Democracy became generalized in Europe and Australia. Full employment was able to be achieved. The social democratic style welfare state (Esping-Anderson 1990) had gradually been established. It should however, be noted that

in this period there were continuing debates among social democrats on the policies to achieve 'Socialism'. Nationalization was however at the centre of the debates among social democrats almost only in Britain. The British social democrats that are analyzed in the Fifth Chapter below had gradually discarded nationalization as a policy for achieving 'Socialism'.

As a result of these developments, social democrats after WWII believed that the state has adequate means, such as taxation, spending, loans, and changing interest rates, to control the economy in the public interest. For example, it was argued that the state may reduce taxes on new investment in less developed regions to increase investments there. It can also reduce taxes on expenses and increase taxes on profits, so that it can indirectly protect low-income earners. By introducing free education, cheap housing and health care to low-income earners, it may reduce social injustice in society. When these means are appropriately used, the state can significantly reduce inequality (Castles 1978: 57, 83).

Keynesian economics, according to Padget and Paterson, was attractive to social democrats, because it brought a political economy for managing Capitalism through taking the market economy under political control (Padget and Paterson 1991:22-23). Keynesian economics, Przeworski argued, envisaged that "the state could reconcile the private ownership of the means of production with democratic management of the economy". It was "democratic control over the level of unemployment and the distribution of income", according to Przeworski, that "became the terms of the compromise that made democratic capitalism possible" (Przeworski 1980:207).

It can therefore be stated that by the end of WWII, the *governing years* of Social Democracy started. Its reformism from then on comprised both political and economic spheres. With the adoption of Keynesian economics into Social Democracy, including the experiences during the wars, social democrats finally found economic policies for the fulfillment of their values, such as social justice, without abolishing Capitalism. With Keynesian economic policies, they thought they could not only remedy the ills of Capitalism, but could avoid the diseases of 'authoritarian socialism', which were for them evident in the Soviet Union (Padget and Paterson 1991). The social democratic ideology with these adoptions was

defined as Keynesian economics, plus the welfare state, plus full employment. Such a position of Social Democracy of the postwar period, this thesis contends, should be taken into account through the analysis of the viability of Social Democracy within the context of globalization. This position reveals significant findings for the social and economic policies that social democrats would adopt after 1980.

### **2.3.2. British Social Democracy in the *Governing Years***

British social democracy was able to gain the first general elections held in 1945 by the end of WWII. By its clear strength in the Parliament, the British social democrats implemented the policies developed during the War. Among these policies, nationalization and the establishment of a welfare state through the Beveridge Report and health scheme were the significant ones. There was, it should be stressed, a wide-spread agreement over these policies in the British politics at that time.

Since the British Labourism had not been radical even in its formation period, it can be argued that its adoption of the policies after WWII was not difficult. In other words, the evolutionary standpoint of British social democracy did not cause great difficulties, or even debates through the adoption of Keynesian economics and the welfare state. The examination of the ideas of Crosland would be demonstrative, either for the adoptions of Social Democracy, or for the disclosure of its standpoint both in the governing period and in the adoption one that would start after 1980. Crosland, who became also a British Labour Cabinet Minister in the 1970s, was one of the most prominent figures in reorienting the Social Democracy of the 1950s, 1960s and 1970s towards Keynesian welfare and redistributive measures.

In congruence with the context, British social democracy stayed in the line of Keynesian economics, including full employment and the welfare state. Such a formulation of Social Democracy led to the rise of the arguments questioning the nationalization policy. The proponents of this stance were called 'revisionists', such as Crosland, gathered around Hugh Gaitskell, leader of the Labour Party in the 1950s, within the British Labour Movement.

### **2.3.2.1. C. A. R. Crosland: the disclosure of the reformist stance of British social democracy in the postwar period**

C. A. R. Crosland had a profound influence on Social Democracy in the Anglo-Saxon world of the 1950s, 60s and 70s through his role as a social democratic thinker<sup>12</sup>. In understanding Crosland's ideas it is necessary to reflect on the changes to the social and economic structures starting with the 'New Deal' in the USA in the 1930s, and the adoption of a variety of Keynesian policies in Britain following the election of the Attlee Labour government at the end of WWII. Throughout the developments that occurred, it was argued that the nature of the capitalist system had been transformed, and this made it easier for Social Democracy to adopt reformist policies which it has argued once and for all.

Crosland, like Bernstein had done before, stressed the changing structure of capitalism. According to Crosland, there was a big difference between the capitalism of the 1850s and that of the 1950s. For example, income distribution in his time became '*more equal*' (Crosland 1980: 31). He argued that the level of poverty reduced. The participation of low-income earners in decision-making-processes occurred. Also the power of trade unions increased.

As an indication of the 'transformed' nature of Capitalism, he furthermore said that there are impacts of full employment on the state of workers that full-employment gives power to workers. Another indicator employed by Crosland was the separation of ownership and capital. He claimed that "top management to-day is independent not only of the firm's own shareholders, but increasingly of the capitalist or property-owning class as a whole, including the financial institutions" (Crosland 1980:15).

The state of workers in terms of their liberal rights and standard of living, according to Crosland, was much better in the 1950s than it was in the 1930s. Crosland contended that

Many liberal minded people, who were instinctively socialist in the 1930s as a humanitarian protest against poverty and unemployment have now concluded that '*Keynes- plus- modified- capitalism- plus-*

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<sup>12</sup> Since his major work is *The Future of Socialism*, my discussion will concentrate on examining this work.

*Welfare-State* works perfectly well; and they would be content to see the Labour Party become (if the Tories do not filch the role) essentially a Party for defense of the present position, with occasional minor reforms thrown in to sweeten the temper of the local activities (Crosland 1980: 79).

It can be asserted that Crosland saw Keynesian policies as almost a complete guide for the economic policies of Social Democracy.

The significance of democracy for Social Democracy took priority among Crosland's ideas, like for the early social democrats, such as Bernstein. For him, the inequalities emerging from social structure are significant as well. In addition to exploitation, as Crosland stated, "the degree to which management is autocratic or democratic, the extent of joint consultation and participation, and the freedom of the worker to strike or leave his (her) job" are also important for Social Democracy (Crosland 1980: 40-41).

Political freedom and parliamentary democracy are important as much as eliminating 'exploitation', because exploitation is not a problem which exists by itself. Crosland said that the destruction of poverty and inequality would not mean that all problems are solved. This is because class exploitation is not the only cause of injustice, and there are other causes of injustices, such as religious, racial and gender ones. Therefore, not only workers, or the bourgeoisie, or one race, or one religion but all people should have the same opportunity to affect the decision-making-process in national or local government level, or in the corporations.

Crosland came to the conclusion that the system of his time in Britain was not Capitalism any more. He asserted that "Is this (meaning Britain in the 1950s) still capitalism? I would answer No" (Crosland 1980: 42). It can be argued that Crosland's conclusion was that social democrats of his time in the developed countries should defend the present system, because it is considerably better than that of the 1930s. The influence of the left group within the BLP however, increased in the early 1970s.

### **2.3.2.2. Stuart Holland: a radicalization of the British social democrats in the 1970s without implementation**

It should however be mentioned, that there occurred a radical move to the Left within the BLP in the early 1970s. The leftist factions within the BLP were able to dominate the party agenda and in turn to adopt the 1973 Program. The Program stressed further nationalization as essential for the success of economic plans, which would be less inclusive than the Soviet's, but more bold than Yugoslavia's. According to the Program, the Labour would further nationalize the top twenty-five manufacturing companies. However, the move never materialized; even the 1974-1979 Labour governments never attempted to implement the Program, but they stayed within the viewpoint that the Party had pursued in the 1960s.

The leading theorist of this radical move to the Left was Stuart Holland. His main work, *The Socialist Challenge*, was an enthusiastic endorsement of the Labour's 1973 program. In '*The Socialist Challenge*', Holland's willingness to learn from Marx distinguishes him from many social democrats. He differed from Crosland in that he did not try to disprove Marx. Although there are many differences between Holland and Crosland, their arguments are not necessarily antagonistic. Their arguments are based on the different ends, which they want to achieve.

The radical ideas of Holland can be seen from his argument regarding the means to achieve 'Socialism'. Holland argued that for countries having democratic institutions such as Britain, the revolutionary transformation from Capitalism to 'Socialism' is not necessary. Nevertheless, he stated that the revolutionary transformation would be appropriate for countries that do not have democratic institutions<sup>13</sup>.

Holland's difference from Crosland lied in his endorsement of the necessity for public ownership, for the control of economy, and in turn of further nationalizations. He argued that "without public ownership and control of the dominant means of production, distribution and exchange, the state will never manage the strategic features of the economy in the public interest" (Holland

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<sup>13</sup> He did not, however, consider how these countries would build democratic institutions or whether it is possible to build such institutions after a revolution or not.

1975: 15). Holland asserted that, unless the top key manufacturing companies were nationalized the state would be unable to direct the economy in the public interest. This is because of the power and the reach of modern multi-national or trans-national corporations. Such corporations had reached a size which was now beyond the control of individual nation states.

Holland introduced the term *meso-economics* structure to account for the power of modern trans-national corporations. Meso-economics denoted a level of economic activity between the economics of the small, local, or national firms - the micro level - and macro or national level economic activity (Holland 1975: 50). The success of economic planning was therefore dependent on the nationalization of the top twenty-five manufacturing companies. Nationalization became once again a significant means to achieve 'Socialism'. But it should be stressed that Holland was still arguing for a *mixed economy* in terms of both ownership and methods of integration.

Holland, unlike Crosland, endorsed detailed economic planning. Holland argued that detailed economic planning is necessary to achieve the social democratic goals of social justice and equality. He argued, "the government... (should)... intervene not where the productive structure of the economy is weak, but precisely where it is strong, and where private strength is not harnessed effectively in the public interest" (Holland 1975:29).

Holland's alternative emerged at a time when Social Democracy came under attack by new social movements, such as environment, gender, and peace. The British Labour program of 1973, as mentioned before, was never implemented. Such nationalizations, as were undertaken by Wilson and Callaghan, followed the old school of nationalizing the run down of non profitable enterprises to save jobs. The clearest case of such policy was the nationalization of British Leyland. It can be claimed that, due to the fact that the Labour governments in the 1970s did not implement the 1973 Program and in turn that of Holland's ideas, the Program does not demonstrate the standpoint of British social democracy, but merely that of the Left wing within the Party. Therefore, the Program should be cautiously taken into account through the continuity and change debates concerning Social Democracy in the case of Britain.

While the 'Left' of the BLP stressed a selective nationalization policy in the mid-1970s, this policy was not implemented despite a spirited defense and popularization by Holland. Under H. Wilson, and more significantly J. Callaghan, the BLP endorsed first a conservative Keynesian strategy, which then later degenerated into a full-scale retreat into an IMF-inspired austerity program. The proportion of the British GDP controlled by the state actually shrank more under Callaghan's Labour Government in 2 years than it did under Thatcher's Conservatives in a decade (Emy and Hughes 1990: 156-164). Such responses were because of the failure of Keynesian economics in sustaining both growth and full employment, as well as because of the oil shocks in the mid-1970s. Such experiences were not peculiar to the British social democrats. The German social democrats were in government throughout the 1970s, and they came to similar conclusions regarding the effectiveness of their policies.

### **2.3.3. German Social Democracy in the *Governing Years***

One of the significant developments within German social democracy in the postwar period was the adoption of the *Bad Godesberg* Program in 1959. The elaboration of the stance of the German social democrats, according to Carr, started before the adoption of the *Bad Godesberg*. He says that "at the 1957 election the SPD was already trying to woo the voters by playing down socialization and Marxism" (Carr 1989:145). It can be claimed that the Program was the end point for the elaboration of German social democracy, or the end of the oscillation of the SPD between Social Democracy and Marxism.

The *Bad Godesberg* Program (1959) has been considered as a corner stone for German social democracy. A growing welfare along with storing full employment through stable currency and increasing efficiency in the economy became the policy objectives of the German social democrats. It was argued that the modern state can control the economy through taxation and the treasury, currency and credit sector, customs, trade price policies, social policies, public tenders. Free consuming, freedom of choosing work place, free competition and free enterprise became significant objectives of social democratic economic policies (*Bad Godesberg* Program in Kavukçuoğlu 1998: 322-323).

The *Bad Godesberg*, like its predecessors, implicitly rejected the state ownership of the production (nationalization), but advocated *socialization*, which will be further examined in the Fifth Chapter. Hodge argues that “public ownership in industry was to be a policy of last resort of use only when economic functions vital to the community cannot be carried out in a rational way except by excluding competition” (Hodge 1987: 123). The principle economic objective of the SPD regarding redistribution, as to be analyzed in the Sixth Chapter, became “the constant growth of prosperity and a just above for all in the national product” (Hodge 1987: 123; Fletcher 1987: 196-199).

The adoption of the *Bad Godesberg*, according to Carr, was the victory of the ‘revisionists’. He argued that the Program discarded “Marxism once and for all” and declared that “democratic socialism was rooted in ‘Christian ethics, humanism and classical philosophy’”. In the economic sphere, on the other hand, ‘Socialism’ “was pragmatic, combining a belief in essential planning with a belief in the market economy which Erhard had popularized in the 1950s”. The approach of the SPD became “as much competition as possible, as much planning as necessary” (Carr 1989: 145).

The significance of *Bad Godesberg*, on the other hand, according to Sassoon, lied not its unmentioning of Marxism or rising commitment to growth, but its “merging of the party’s immediate demands and its long-term aims”. The Program “was against totalitarian control of the economy” and favored competition as much as possible (Sassoon 1999: 250). This position implies Sassoon argues, that “the social democrats had joined the neo-liberals in assuming that capitalism functioned at its best under conditions of free competition”. The Program, for him, was “diplomatically silent” on nationalization, because it was not clear whether its approach to the economy requires nationalization or not “is left to the readers to decide”. He, however, conceives the Program as bringing the abandonment of nationalization (Sassoon 1999: 250).

In the Program, it was said that the concentration of economic power in few hands does contain risks, even if this one is the state. Therefore, public property should be organized according to self-governing and decentralized forms of administrative rule. In the management of the public companies, the interests of

public and consumers should be represented along with workers and civil servants. It would not be bureaucracy that performs the best service for society, but it would be performed by activities that every part shared responsibility (*Bad Godesberg Program* in Kavukçuoğlu 1998: 324-325).

The slogan ‘as much competition / free market as possible, as much planning as necessary’ (*Bad Godesberg Program* in Kavukçuoğlu 1998: 323), it can be stated, clearly expresses the standpoint of the German social democrats regarding either the market economy or nationalization. The Program argued that public property is a legitimate instrument that no state can abandon. This contributes to the protection of freedom against huge companies. It was however then said, that today’s central issue is economic power. If economic power relations cannot be well ordered, then the public property becomes necessary and imperative (*Bad Godesberg Program* in Kavukçuoğlu 1998: 324).

It was democracy, mentioned in the *Bad Godesberg*, that requires the participation of employees in decisions (to be) taken in the economy and companies. In an economic sense, workers should be transformed from economic ‘serfs’ to economic citizens. The participation of worker in the iron and steel industries in the decision-making processes is a starting point for a new economic order. This should be further developed through including big companies by a democratic company bill (*Bad Godesberg Program* in Kavukçuoğlu 1998: 326-327).

According to Kavukçuoğlu, the Program declared that ‘Socialism’ would only be achieved within democracy that is a parliamentary (bourgeois) one (Kavukçuoğlu 1997). That is to say, that ‘Socialism’ would be achieved through electoral victories. Another significant characteristic of the Program lies in the economic policy section. The objectives of social democratic economics are stable growth of welfare and a fair share of national income. To attain these objectives, the SPD would seek to stabilize the currency, provided full employment efficiency and the growth of welfare. For them, there would be indirect resolutions, state budget, and planning and conjuncture-stabilizer policies. Kavukçuoğlu asserts that first time in its history; the SPD based its politics on the market economy in its principle programmatic (Kavukçuoğlu 1997). Free competition and private

business would be from then on one of the bases of social democratic economic policies.

The place of the *Bad Godesberg* Program in German social democracy is significant. This is first and foremost because of its demonstration of the end of the oscillation of the SPD between Social Democracy and Marxism. The *Bad Godesberg* is the elaboration of the standpoint of the German social democracy against Capitalism and Socialism in the Marxist sense, not as a 'revisionist' turning point in its history, although it may be considered as a 'revisionist' turning for the SPD. That is because its early programs, as mentioned before, had not raised arguments for nationalization. They instead had argued for 'socialization' of the private ownership of the means of production which was there in the Program. Furthermore, it should be stressed that they are clearly opposed to the total control of the economy from above, even by the state.

In sum, it can be stated that after the emergence of Keynesian economics and welfare state, German social democracy, like the British one, adopted them as its social and economic policies that it had not had before. The adoption was comparatively fairly late, due to the fascist regime in Germany during which they were in exile. The adoption, which is congruent with its reformism in the political sphere, completed its formation period. The practices of the SPD governments after 1966, as to be demonstrated throughout the examinations of its most debated concepts, such as nationalization, social democratic economics, including full employment and social justice in the Fifth, Sixth and Seventh chapters, would confirm and later on would elaborate this position. It can therefore be claimed that the *Bad Godesberg* Program was the elaboration of the viewpoint of German social democracy through Bernstein's ideas.

#### **2.3.4. Conclusion**

The postwar period until the mid-1970s was the *governing years* of Social Democracy. The adoptions of Keynesian economics and the welfare state contributed to the completion of its reformist stance. The adoptions were in congruence with its reformist stance in the political sphere. The theoretical and practical standpoint of Social Democracy in the postwar period was the elaboration

of this stance. The social and economic policies employed by social democratic parties in the period are demonstrative for their reformist position, either for Capitalism or against Socialism in the Marxist sense. In the light of the examination of its social, economic and political standpoint, the Social Democracy of the *governing period* can be defined as *a movement pursuing social justice within Capitalism*. This thesis argues that the definition should be taken into account through the examination of continuities and changes within the tradition of Social Democracy after 1980. I will argue that this definition entails that the change of social and economic policies occurs in accordance with the context.

It is worthy to note that, in the *governing years* economic growth was a significant goal for social democrats. Padget and Paterson argue that “for social democrats the elimination of poverty was inextricably bound up with economic growth”. They assert that Social Democracy considered economic growth “vital, not simply for its own sake, but for the completion of the social citizenship state which was a central element in the new conception of Social Democracy” (Padget & Paterson 1991:36). Social democrats, according to Esping-Anderson, assumed that “a democratic economy would evolve via a full employment growth strategy that was backed by an egalitarian welfare state apparatus (Esping-Anderson 1992: 196). In other words, in the *governing period* social democratic egalitarian policies were shaped by the welfare state and Keynesian economics. Esping-Anderson argues that “welfare state and full employment growth policies are unified in the social democratic model” (Esping-Anderson 1992: 195). This viewpoint of Social Democracy would be further elaborated in the 1980s and 1990s.

This depiction of Social Democracy mentioned above will be examined in the Fifth Chapter on *nationalization*, in the Sixth Chapter on *social democratic economic including full employment*, and in the Seventh Chapter on *social justice* through examining continuities and changes within its tradition. It can however be said, that its practices while in government demonstrates that it did stay within the limits of Capitalism of the postwar period. Social democrats argued that Keynesian economics including full employment and the welfare state would attain their principles. Economic growth, as mentioned before, was (and has still been) seen as the prerequisite of their objectives.

Social Democracy could not however attain these objectives in the mid-1970s. Keynesian economics could not work as it had been thought; full employment could not be restored, economic growth could not be sustained. This implicated that the welfare state cannot be further developed, along with its allegedly alarming level of expenditure. Moreover, the emergence of new social movements, such as peace, gender, and environmental ones, as well as the developments that occurred within social structure, envisaged the coming of a new period for Social Democracy: the *adoption period*. This led social democrats to employ policies other than those traditionally attributed to them. Such employment has been raised as another rupture that Social Democracy has experienced in the 1980s, which means its move to the position of the New Right. In contrast to such accusations directed to Social Democracy, this thesis claims that such employment of policies should not be conceived as a discontinuity, but as change of its policies according to the context under the guidance of its social justice value.

## **2.4. The Third Period of European Social Democracy: Adoption Years**

### **2.4.1. Context**

There were significant developments that caused the renewal of the policies of Social Democracy since the mid-1970s. The shortcomings of social democratic parties in the 1980s, it has been argued, are due to changes in class structure, the failures of Keynesian economics, rapid internationalization of the World economy, and attempts to deal with newly emerging issues, such as gender and the environment. It has been argued that traditionalist dominated social democratic parties often failed to address these changes, until they were confronted by crisis. Changes have affected the class structure, which gave rise to Social Democracy. The proportion of the electorate from the blue-collar working-class backgrounds, the traditional electoral base of social democratic parties, has declined, while the proportion of white-collar-working-class has increased. This change, along with an increasing number of white-collar-workers, has negatively affected the trade union movement, either (Mahon and Maidner 1994: 66; Pontusson 1992 & 1995; Lindstrom 1991; and Kitchelt 1994).

Regarding the social base of Social Democracy, in the literature it is argued that there has occurred changes within the social structure, and this has contributed to the loosening of the social democratic base. Throughout the 1960s and 1970s, the share of the service sector within the employment structure has exceeded that of the industry. The development, it has been argued, has negatively contributed to the loosening of solidarity and consciousness among the working class. This has been caused by the small unit of production in service sector, and thus, the organization of working class institutions in this sector becomes difficult.

The decline of European Social Democracy, Pontusson asserts, has been because of the growth of private service employment (Pontusson 1995: 498). Employment in private service sector is dependent on small units of production and more importantly on union density in small units of production is low. This has resulted in the fragmentation of the labour movement, which was the main contributor to the success of Social Democracy in the postwar period. The growth of the welfare state was strengthened by the solidarity of the labour movement and was challenged in the moment that solidarity waned. Employees in the service sector, especially in the private sector have traditionally tended not to vote for social democratic parties (Pontusson 1995: 498). Thus, as the traditional social democratic electorate has eroded, this also has weakened its alliance with trade unions, which take their strength from the same structure.

Such changes, it is argued, have resulted in discontinuity within one of the constituting elements of Social Democracy, which is the dissociation of organizational links between social democratic parties and trade unions, as mentioned above. The relationship between the parties and trade unions had a significant impact on Social Democracy in many ways, i.e. as a financial contributor and in providing an electoral base. This alliance has been affected by the changes that have occurred over five decades since WWII, but especially by the changes that the political parties adopted through the 1980s. The political parties in northern countries have loosened their formal ties with trade unions.

Such changes, it should however be mentioned, could not explain the electoral successes of the social democratic parties in the 1980s in the southern European countries, such as Spain, France, Greece and Portugal, and in Australia

as well as that of the parties in the mid-1990s in northern countries, such as Britain and Germany. Since the changes have not been reversed, the political parties should not have come to government, but they were able to do. Such development therefore raises questions regarding a very common understanding concerning Social Democracy that it has been a working class ideology<sup>14</sup>. The successes of social democratic parties after 1980, however, demonstrates that the social base of Social Democracy, as further examined in the Fourth Chapter, is not merely a working class, but it has incorporated middle-classes. This had become obvious in its governing years long before the 1990s.

Another significant development regarding the base of Social Democracy has been its critique through the rise of environmental, peace and gender movements. These movements pushed social democratic parties to change their policies. It should be mentioned that the compromise of these demands within the programs of the political parties has raised accusations directed to Social Democracy as having undergone ruptures. Rather, the late response of the parties to these demands has led to the emergence of new political parties, as mentioned below, based on these movements. This has resulted in the further loosening of the base of social democratic parties. The German experience provides an explicit example for this.

Although the concerns of trade unions regarding employment conditions are still critical, modern trade unions have gradually adopted a broader social democratic ideology, instead of a labourist agenda (Beilharz 1994: 48, 127, 137). This has at times weakened social democratic parties in their traditional heartlands. Because the electoral interests of the political parties are more sensitive to labour issues than those of right-wing parties, such interests retain a high priority, which sometimes is in considerable tension with the issues associated with the movements. But their rise or their newly emerged political parties often threaten social democratic parties more than the right-wing parties.

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<sup>14</sup> This argument is significant, and I believe requires criticism, for countries such as Turkey, with comparatively less developmental level, or with agrarian sector dominated ones. The low proportion of the industrial working class and relatedly low level of trade union density, it has been argued, have caused the failure of Social Democracy in Turkey. The lack of this active support has been considered as significant for the failure of Social Democracy in countries, such as Turkey.

Another significant development occurred within the economic sphere starting in the 1970s. The economic policies of Social Democracy failed to resolve fundamental economic problems. Unemployment and inflation were rising. In Keynesian economic theory, these were incompatible, but empirically they occurred at the same time. With the failure of Keynesian economic policies coinciding with the Oil Shocks in the 1970s, Social Democracy went into deep electoral recession in the late 1970s and the 1980s in northern European countries. It has been argued that the failure of Keynesian economics meant the collapse of the social democratic economic model. According to its criticisms, social democrats did not appear to possess any other economic policies to apply to a market economy. Thus, the social democratic dominance in the western world was, and is still being, undermined by the theories of Freidman and the practices of Margaret Thatcher in Britain and of Ronald Reagan in the USA. It has been claimed that with the rise of globalization more cheerfully Keynesian economics was dead and in turn so was Social Democracy. That is to say, that the rise of globalization has been presented as the collapse of Social Democracy.

This period started after the mid-1970s. It can be argued that these were the years for the decline of social democratic politics since its emergence in northern countries. With the rise of the New Right in the early 1980s, the governing years of Social Democracy ended and the achievements in the social, economic and political spheres came under attack. After the mid-1970s, the political parties on the Right developed or returned to a *laissez-faire* economic policy standpoint, and acquiring conservative elements as well. When they came to power in 1979 in Britain, in 1982 in the USA and in 1983 in Germany, they started attacking the social democratic consensus of the postwar period on Keynesian economics and the welfare state. The period after 1980 has therefore been presented by the criticisms of Social Democracy as being another discontinuity stage.

The years since 1980 have not however, been a recession of Social Democracy. The recession argument is not valid, even in terms of the electoral success. Although social democratic parties in northern countries, such as Britain and Germany, experienced consecutive election loses until the mid-1990s, those in the Southern European countries, such as Spain, France and Greece, and in

Australia, were able to win consecutive elections in the years between 1980 and the mid-1990s.

It can furthermore be claimed that the social democratic parties were able to contribute to the materialization of social justice in the period of the New Right. For example, in Australia targeted market based or social market programs were able to achieve considerable successes. During the Hawke and Keating years (1983-1997), income inequalities before the effects of taxation policies and government transfer payments widened considerably, largely in line with developments in comparable countries. However, when the effects of transfer payments, targeted social security payments, universal health care and rent relief policies are taken into account, Australia ranked just below Sweden, Norway and Denmark for egalitarianism at the end of the last Keating government (Richardson and Travers 1993:217; Withers (EPAC Report) 1995:51; Saunders 1994:46-48, 170-171). Against accusations of breaking from its Laborist past (Beilharz 1994: 215-216), it can be stated that Social Democracy in Australia has considerable similarities with those in northern countries. The ALP still has close links with trade unions and its traditional commitment to a form of targeted welfare for those who need a safety net.

Bearing in mind the successes of the social democratic parties in the Southern Europe and in Australia, even of the 1980s, can well present the progressive characteristic of Social Democracy. The analysis by the criticisms of Social Democracy misses its ideological development in the 1980s. In other words, the recession argument neglects Social Democracy's *adoption* of the issues raised by the new social movements. Such development has been in congruent with the progressive characteristic of the social democratic movement, outlined by Bernstein. Through the analysis of the establishment of Social Democracy within the context of globalization, such developments should be taken into account.

#### **2.4.2. New Social Movements: Adoptions of Social Democratic Movement**

On of the cause of the change or programmatical renewal of the social democratic program, which is called 'adoption' in this thesis, was the increase of the influence of the new social movements, such as environmental, gender and peace, which

emerged in the late 1960s. In the 1980s, Stretton argues, Social Democracy moved ‘sideways’ in its electoral appeal throughout its Programmatic renewal (Stretton 1995). Through moving ‘sideways’ the two issues, the environment and gender, have come to the foreground. The new priority given to the issues has not been without difficulty for social democrats, because the issues were always part of social democratic ideology. In the past, although the recognition of these issues by Social Democracy was considerably in advance of other political movements, it can however be argued that full scale commitment to problems of the environment and gender was often lacking. Labourist agendas of full employment, modernizing working conditions, and economic growth often meant that the issues were considered ‘soft’. The labourist issues were the ‘real’ or ‘strong’ issues, and protection of male workers meant broader commitments were not taken seriously (Beilharz 1994: 36-37)

Despite the fact that, as Taylor says, the “labour movement has long established structures/regulations for women, and the enhancement of women’s rights is a central objective of trade unionism and social democracy” (Taylor 1993:146), there aroused discontent and in turn the (new social) movements regarding environmental and gender issues. There is also a relative paucity of feminist literature that debates the organizational and theoretical issues raised by Social Democracy and gender. Many feminist writings are devoted to liberal politics, radical feminism, Marxian feminism, and Eco-feminism, and general questions about relations between gender and the modern state.

The approach of Social Democracy to the gender issue has been found as unsatisfactory. The writings of social democrats on the gender issue focus on the implications of welfare policies on women, such as maternity leave and child care. As these are significant for the emancipation of women (Beneria 1989: 328), the very extension of these services should be added to the success side of Social Democracy. As seen in Sweden<sup>15</sup>, the resolution of many significant public policy

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<sup>15</sup> The implications of welfare policies for women are clearly demonstrated by the Swedish social democratic welfare state. In Sweden, social democrats have been relatively successful in the emancipation of women, especially by opening the work place to both genders. The proportion of women in the labour force has increased greatly during the SAP’s term in office. Between 1973 and 1979, the labor participation of Swedish women increased 11 per cent (Scharpf 1991:51). The main factor in increasing labour force participation of Swedish women is its social democratic welfare state. The extension of child care and maternity benefits are necessary to “increase women’s labour

gender issues lie in the improvement of welfare policies and increasing the number of women in education and the labour force (Cass and Baldock 1983: XI). In all of these areas social democratic countries have had a strong record (Castles 1990: 21; Esping-Anderson 1990: 50-52).

Feminists, such as Beneria, on the other hand argue that a more egalitarian society requires “long-lasting changes toward equality between the sexes”, and this would only be carried through structural changes. She asserts that

Emphasis on the ideological only is likely to be ineffective unless it is accompanied by economic change. Campaigns challenging the traditional division of labour within the household are not likely to be very effective unless women have opportunity for employment in the paid labor market... Similarly campaigns against male violence are likely to be more effective if accompanied by policies that increase women’s economic autonomy and self-esteem (Beneria 1989:328-329).

As understood from the above quotation, the change of social structure is considered as essential for an ‘egalitarian society’.

It is, on the other hand, worth noting that, as Taylor argues as well, the approach of the labour movement is still in considerable flux. This is because the extension of the labour force participation by women requires maternity benefits and child care at a time when there have been attacks on the welfare state. According to Taylor, it is not clear how social democrats will settle this conflict (Taylor 1993: 147). He asserts that “the desire for more flexible working practices to enable women to combine family and career excited the suspicion of male trade unionists who feared that flexibility would worsen their pay and working conditions” (Taylor 1993:147). Despite these debates, it should be noted that “there is... a general tendency towards organizational and policy changes favorable to women” within European Social Democracy and trade unionism (Taylor 1993: 147).

There has also been some effort by social democratic parties to encourage women further into the decision-making process, which is important for the elimination of inequality that exists between sexes. A number of social democratic

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force participation” (Beneria 1989: 328). It can be argued that the ‘social democratic welfare state’ provides a wide range of services for women, and in turn contributes to the emancipation of women.

parties, such as the SAP and the SDP, have regulations allocating quotas to women to overcome organizational bias. Such regulations might include a requirement for 40 % representation to women in the Party's apparatus.

The issue of the environment, like the gender one, has been adopted into the social democratic agenda. From the early 1980s, it has become a critical part of the programmatic renewal, and provided important organizational and electoral support, although social democratic parties have not been able to incorporate the environmental movements into their system of party organization. In part, this may be due to either the diverse ideological range of the various environmental groups or the potential conflict between employment and the conservation of the environment. In a number of countries, such as Germany, environmental groups formed their own parties, i.e. *Die Grünen*. In Germany, *Die Grünen* have enjoyed some electoral success in their own right and gained representation at every level of government, federal, state and local, and then became a coalition partner of the SPD between 1998 and 2005.

Throughout the 1970s, social democrats regarded the change in the socio-economic structure as a long-term solution to the environment issue. In contrast, Hugh Stretton argued that "a program of environmental reform has to be part of a program of more general social change" (Stretton 1976: 4), because "conflicts about inequality and scarce resources are parts of one central problem of democratic distribution" (Stretton 1976: 1). Foster similarly asserts that "ecological development is possible, but only if the economic as well as environmental injustice associated with the treadmill is addressed". This is because the causes of the ecological problems are the destruction of nature by the struggle of villagers or of landless workers for survival and the activities of large corporations for expanding their profits (Foster 1995: 8).

It is argued that a long term resolution for the environmental issues is only possible with a change in the current socio-economic structure, because the causes for the environmental problems are structural ones. The conservation of the environment may have considerable implications for the current inequalities between classes, those between developed and developing countries and those

between generations. The question that arises is: how will the costs of the conservation of the environment be financed?

Social democrats argue that the costs of conservation should be distributed equally. Similarly, in distributing the benefits of environment conservation, the equality principle should be pursued (Stretton 1976: 10). With the equality principle of conservation of the environment in mind, Foster contends, the emphasis should be given to production rather than to the role of individual, because “the treadmill of production is rooted not in consumption but in production” (Foster 1995: 6). It can be understood from Foster’s argument that in the conservation of the environment, the regulation of production is more important than that of consumption.

The employment consequences of environmental policies cause the greatest problems for social democrats, especially between trade unions and environmental movements. For example, in Sweden “LO representatives insisted that the maintenance of full employment be accorded equal status with environmentalism (Taylor 1993: 144). In Norway, LO warned the Labour Party that “environmentalism should not be pursued at the expense of employment” (Taylor 1993: 145). The same concerns caused disquiet in Germany between the SDP and the trade unions, especially the Chemical Workers (Taylor 1993: 145), while in Denmark environmental issues have caused relatively few problems” for social democrats (Taylor 1993: 146).

It should however be emphasized that the relations between social democratic parties and environmental groups has been more advanced than that between right-wing parties and the groups. In Australia, for example, environmental groups mostly give their second preferences to the Australian Labour Party at Federal and State elections (Warhurst 1988: 40-41; Christoff 1994: 132; McAllister 1994: 36). In the late 1980s in Germany a ‘Red-Green’ coalition was established between the SDP and *Die Grünen* (Johnstone 1989: 12).

#### **2.4.3. SPD’s 1989 Berlin Program**

Under the impacts of the new social movements, Padget and Paterson say, social democrats have had to revise their economic and social policies, such as high

economic growth targets, due to the criticisms from environmental groups. They argue that the German social democrats (the SPD) therefore, “developed the concept of ‘qualitative growth’ in which humanist and ideological concerns counterbalanced a purely quantitative appraisal of economic performance” (Padget and Paterson 1991:59). Qualitative economic growth encapsulates much of the approach of northern social democratic parties for resolving environmental issues.

Such conceptual development can be demonstrated through the analysis of the last program of the German social democrats, the *Berlin* Program which was adopted in 1989. One of the significant characteristics of the *Berlin* Program has been its adoption of ecological concerns to the concept of (economic) growth. Growth has become *quality growth*, and in turn, its content has extended. It has been argued that “not all growth is progress”. A progressive growth should include the increase of the assurance of “natural bases of existence”, the enhancement of “the quality of life and work”, the reduction of “dependence”, the promotion of “self determination”, the protection of “life and health”, the assertion of peace, of the increase of “opportunities in life and in a future for all”, and the support of “independence and creative work”. The Program also asserted that “anything that endangers the natural bases of existence reduces the quality of life and obstructs future opportunities must decrease or vanish” (Berlin Program: <http://www>).

With the adoption of the *Berlin* Program, it is difficult to argue that there has been a discontinuity in the stance of German social democracy from the *governing to adoption years*. Rather it is the adoption of the concerns raised by the new social movements. There has, however, been an increase in the SPD’s confidence in the market economy (it is argued that “the incalculable variety of economic decision-making is effectively coordinated through the market”); while there have been reduction in its doubts against large companies (“Our economy cannot do without large enterprises. Their strength lies in their ability to engage in long-term research and development and to produce efficiently”) (*Berlin* Program in Kavukçuoğlu 1998: 423-424; (Berlin Program: <http://www>).

It is difficult to argue that the term ‘socialization’ has been dropped from the SPD’s agenda. Although ‘socialization’ has not appeared in the Program, the

term 'economic democracy' does include similar objectives. In the Program, it is contended that

Economic democracy requires equal participation and equally represented codetermination by employees and their trade unions in economic and social decision-making at the workplace, during work and the conceptual, planning and introductory phases of new technologies or new forms of organization; at the factory, plant or office, when decisions are to be taken about working conditions, work organization, health care and safety at work, further qualification and continuing training, the application of new technologies, as well as about products and production methods; in all large enterprises and companies with equal representation for capital and labour and equally represented codetermination on the supervisory boards; on an industry-wide level on economic and social committees in which the interests of the workforce, the environment and the consumers are to be voiced; and through Europe-wide codetermination and international regulations for codetermination in multinational companies" (Berlin Program: <http://www>).

It can be claimed that the *Berlin* Program advocates socialization. It is therefore difficult to say that rupture has occurred in its approach to socialization that had been developed long before WWII.

Through the adoptions of the concerns raised by the new social movements or the programmatical renewal by social democratic parties in the mid-1990s, there has been raised a demand for change of policies of Social Democracy with similar reasons promoted by Bernstein and Crosland. The developments mentioned above, along with the technological and the financial-market (globalization) ones, have been considered by some social democrats as essential, and in turn, the need for the change of policies of Social Democracy. They argue that unless the changes were not carried out, Social Democracy would not come to power.

Through the mid-1990s, some social democrats, such as Anthony Giddens, argue (to be studied in the Fourth Chapter) that there is a need for programmatical renewal (change) of Social Democracy, due to the developments that occurred within the social, economic, and political structure in the advanced capitalist countries of the North. They have offered first, the concept of the Third Way and recently 'progressive politics', as Social Democracy has to take shape (Giddens 2003). These arguments have however, been presented by the criticisms of Social

Democracy as another experience of discontinuity within its tradition, like it did before. Some even accuse it that these discontinuities in the 1980s demonstrate the move of Social Democracy to the stance of the New Right.

After the consecutive electoral loses between the early 1980s and the mid-1990s, social democratic parties were able to come into power in northern countries, such as Britain and Germany. These electoral successes however, have not caused the decline of the criticisms. Besides, the rise of globalization, the theme of the following chapter, has been employed as the collapse of Social Democracy.

## **2.5. Conclusion**

In this chapter, the developmental trends of Social Democracy have been divided into three periods: the formation, governing, and adoption period. Such periodization is essential for the continuity and change debates. The term “change” entails two periods for comparison. The assessment of the ‘new’ one would be worked out over the ‘old’ one. This periodization will be employed through the conceptual analysis of Social Democracy in the Fourth, Fifth, Sixth, and Seventh chapters.

The examination of historical evolution (the developmental trends) of Social Democracy in this chapter demonstrated that its analysis, through either party politics or its policies, would be inadequate. Such analysis in the case of ‘revisionist’ arguments leads to the conclusion that Social Democracy experienced discontinuity within its tradition. On the contrary, its analysis through its principles, such as democracy, progressiveness and social justice, as outlined by Bernstein would show that there has been continuity within the social democratic tradition. Although there have been changes in its policies, the changes have been in accordance with the contexts under the guidance of its values. The term “change” in this study, as mentioned before, refers to the replacement of policies in different context with some others under the guidance of social justice.

The examination of the formation period of Social Democracy in this chapter, first and foremost demonstrated that it did not emerge as a ‘revision’ within the revolutionary movement. Social Democracy as a reformist movement,

subsisted within the 'socialist' movements long before Bernstein appeared as a 'revisionist'. In its early years, its reformism was apparent in the political sphere, while it was not in the economic sphere, because it is difficult to say that it had economic policies congruent with its reformism. With the adoption of Keynesian economics, its reformism formed by the end of WWII.

The reformism of Social Democracy can be shown by studying its ideological standpoint in its governing years. The study explicitly presented that its position has been in favor of Capitalism. Although Social Democracy has been against *laissez-faire* economics, it has not questioned the existence of the market economy, competition in the market, or private ownership of production. Against the *laissez-faire* economics, it has employed Keynesian economics. Social democrats in the postwar period came to the conclusion that Keynesian economics, plus the welfare state, would contribute to the materialization of social justice, along with curving the ills of the market economy. This standpoint of Social Democracy, it can be claimed, will envisage the extent of the policies of Social Democracy. That is to say, that Social Democracy changes its policies in accordance with the developments occurred within the capitalist economy and society. However, the degree of the change is determined by its principles. Along with its progressive characteristic, this viewpoint of Social Democracy allow us to argue that by changing its policies its workability will be continuous even within the context of globalization.

The progressive characteristic of Social Democracy has been demonstrated by examining its adoption years after 1980. Social Democracy in these years incorporated the issues raised by the new social movements. On the one hand, economic growth was redefined as quality growth by the German social democrats; on the other hand, gender issues have been included into policies. These arguments will be further elaborated in the following chapters.

Before going to the conceptual analysis of Social Democracy through the three periods, in the following chapter the meaning of globalization for the viability of Social Democracy will be examined. By the examination, either the adequacy of the analysis of the formation of Social Democracy merely through its policies or of the arguments concerning the end of the nation-state to which the

establishment of Social Democracy has been attached will be challenged. The demonstration of the continuity of the existence of the nation-state will be presented as the refutation of the unviability argument concerning Social Democracy within the context of globalization.

## **CHAPTER THREE**

### **THE MEANING OF GLOBALIZATION FOR SOCIAL DEMOCRACY**

Having demonstrated the insufficiency of the analysis of Social Democracy merely through party politics or its policies, as well as the change of the policies employed by social democratic parties in accordance with the context, by examining the three developmental trends of Social Democracy in the previous chapter, in this chapter the meaning of globalization for Social Democracy will be analyzed. Against the criticisms of Social Democracy, I have argued that its analysis should also include its principles, such as democracy, progressiveness (movement) and social justice. The analysis in this chapter will allow us to verify this argument.

The aim of this chapter is not however to assess whether there exist a widespread phenomenon called globalization, or not. Rather the analysis of globalization will be carried out in terms of its possible impacts on social democratic politics. Globalization has been presented, especially by the hyper-globalists, as the collapse of Social Democracy. This chapter will therefore focus upon the debates concerning globalization, to the matter only related to Social Democracy. The debates will be examined through the classification made by Held and McGrew (2000), as categorizing them into three: hyper-globalists, globalists and skeptics.

#### **3.1. Introduction**

The context of globalization has been presented as the end of the viability of Social Democracy. The criticisms of Social Democracy have claimed that, the developments that have occurred through globalization have brought restraints on social democratic politics. It can however be argued, that such criticisms are the result of their analysis of Social Democracy merely through its policies or the

nation-state. For example, according to John Gray (2000), Social Democracy is an ideology that was viable within the limits of the nation-state; through the Keynesian economic model, the welfare state and the maintenance of full employment, i.e. through budget deficit spending. Such an analysis of Social Democracy consequently leads to the conclusions of the collapse of Social Democracy, since for them it cannot pursue these policies within the context of globalization. First of all, according to this approach, globalization has raised irreversible restraints on the ability of the nation-state within their territorial boundaries. Nation-states have lost the policy instruments to control their economies. Capital, it is argued, has no more been national; rather it is global, 'footloose'-mobile one. Whenever a national government tries to impose either new measures or continues old welfare measures, capital moves from that territory to the new one without these measures. The effects of globalization are not restricted to capital mobility; there is global culture against national culture which has also been restrained to the confines of nation-states. This view has been challenged by the skeptics.

The skeptics, in contrast to the globalists, claim that neither does such a thing as global order exist, nor the unprecedented current world order. They argue that globalization is a process which has been intrinsic to Capitalism. The global structure of capitalism before 1914 was far more open than that in the mid-1990s. Some among this category asserts that globalization is a hegemonic attack of Neo-Liberalism, because no such developments have occurred as said by the globalists.

For the purpose of this thesis, in this chapter the meaning of globalization for social democratic politics will be studied: How Social Democracy should approach globalization? Whether there is a room for social democratic policies or not? If its social and economic policies would not contribute to the social democratic values, such as social justice, will it be possible for social democrats to develop new policies (or by changing its policies according to the context) that will contribute to the materialization of their values? For this reason, firstly the elaboration of the concept of globalization will be carried at, including the scrutinizing of secondary concepts, such as multinational corporations, (global) financial markets, and regionalism (the European Union), connoting to

globalization. The debates on inequality will also be examined. Then the debates concerning the condition of the nation-state within the context of globalization will be examined. Nation-state has been conceived as a significant element for the establishment of Social Democracy. The examination will challenge the hyper-globalist arguments within. The assumption is that if the nation-state still does exist, so does the continuity of the workability of Social Democracy. The relationship between welfare provisions and globalization has been examined within the nation-state part as well: Has globalization ended the welfare state? Before going into the analysis of the concepts of globalization, an overview of the developments occurred before globalization will be briefly mentioned. This chapter secondly will question the sufficiency of the analysis of the formation of Social Democracy merely through its policies.

The criticisms concerning the policies employed by social democratic parties, it can be claimed, have started long before the globalization emerged in the 1990s. In other words, the globalization debate has been built in the context of the 1970s, to which Social Democracy was able to adopt itself very late. The developments that occurred in the 1970s have raised pressure on the welfare state, and Keynesian economics, including full employment. While the monetarist policies override Keynesian ones, public deficit, as accepted by the social democratic governments of the period, such as the BLP and SPD, has reached to an unprecedented level that cannot be compensated by further taxation. There have also been mentioned inefficiencies of the welfare state in this period. The change of social structure, especially in the industrialized countries through the decline of industrial workers; and accordingly, the increase of service sector employees has been considered as the weakening of the social base of Social Democracy. The raise of the debates over globalization has come on such a challenging-pessimistic context for Social Democracy.

### **3.2. The Concept of Globalization**

In the literature on globalization, the use of the classification of the approaches to globalization by Held and McGrew (2000), such as the globalists and the skeptics, has been common. There have however, emerged different classifications as well.

For the globalist category, for example, hyper-globalists, globalists and transformationist globalists (Keyman 2002: 204) are used, although the skeptic category is still used as covering all people against the arguments raised by the globalists. Although employing a more detailed classification of globalization debate will be more useful for understanding the nature of current world social, political and economic order, the classification of Held and McGrew will be used throughout this work, since further detailed study of globalization is not within the aim of this study.

Before going to the examination of the approaches both of the globalists and of skeptics to basic themes within the globalization debate, it should be mentioned that the position of a person within these categories has implications on their ideological background. The hyper-globalist category includes people like Ohmae, while transformationist includes A. Giddens and D. Held. The people in the globalist category have a neo-liberal and social democratic (in the concept of the Third Way) background respectively. The skeptic arguments, on the other hand, are generally raised by people with socialist/Marxist or realist background.

The debate concerning globalization has firstly focused on whether there exists such thing as globalization or not. While the globalists claim that current world order is a global one, the skeptics contend that there is no such thing as global order; for the skeptics the current world order is a further internationalization of the order dated back to the 1860s, which was cut between 1914 and 1945. The examination of each category through their approaches to each theme, such as the nation-state and multi/trans-national corporations, however presents that there appears differences even within each category.

Among the transformationists, Giddens does not consider globalization as merely economic interdependence both between regions and between nation-states; rather it is the “transformation of time and space in people’s lives”. He says that “distant events, whether economical or not, affect us more directly and immediately than before. Conversely, decisions we take as individuals are often global in their implications” (Giddens 1998: 30-31; 2000: 92). The causes of globalization process, according to Giddens, are “the communication revolution and the spread of information technology” (Giddens 1998: 31). Financial market,

which works “on a real-time basis”, for Giddens, is a sign of globalization. Ecological problems are considered as an implication of globalization as well (Giddens 1998: 152; 2001: 129). Giddens contends that globalization “is not the same as internationalization. It is not just about closer ties between nations, but concerns processes, such as the emergence of global civil society, that cut across the borders of nations” (Giddens 1998: 137).

For Keyman, globalization is a process, and it means the eradication of the differences drawn on time and space between in and out, between national and international, between West and East, between First World and Third World, and the existence of global society and global culture (Keyman 1999: 15). Keyman asserts that globalization, which can be seen through the crisis of sovereignty of the nation-state, is over there as a reality (Keyman 1999: 15-16). According to Keyman, the issues, which have been thought as those of modernity, have turned into global issues, and thus they should be treated in globality (Keyman 1999: 16, 18-19). He agrees with Giddens’ argument considering globalization as universalization of the institutions of the Western modernity, such as the nation-state, and globalization as a late modernity project (Keyman 1999: 30). Keyman asserts that the most developed form of globalization can be clearly seen in economic globalization, especially in financial markets (Keyman 1999:35). Ecological incidents, such as Chernobyl, he says, has thought us that they are not national issues, but global ones; their solution is not limited to national territories, and that risks of such incidences led us to consider them before ideological, class base, or ethnic differences (Keyman 2004: 29).

Similarly, Held and McGrew define globalization as “expanding scale, growing magnitude, speeding up and deepening impact of interregional flows and patterns of social interaction”. However, globalization they contend, “should not be read as prefiguring the emergence of a harmonious world society or as a universal process of global integration in which there is growing convergence of cultures and civilizations” (Held and McGrew 2000: 4). Held et al, similarly assert that globalization implies “a stretching of social, political and economic activities across frontiers” (Held et al. 2000: 54).

Globalization, Held et al. states, is different from regionalization or internationalization, which are “spatially delimited processes”. They assert that globalization is

*“a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions –assessed in terms of their extensity, intensity, velocity and impact- generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power”* (Held et al. 2000: 54-55).

Ulrich Beck, on the other hand, presents two concepts for the examination of current world order: Globalization and Globality. By globalization he means the elimination of or supplantation of political action by the world market, and this is “the ideology of rule by the world market, the ideology of neo-liberalism” (Beck 2000:100-101). It should however be mentioned, that Beck does not consider globalization as an unavoidable process. The future of globalization

*lies in the empirical ascertainable scale, density and stability of regional-global relationship networks and their self-definition through the mass media, as well as of social spaces and of image-flows at a cultural, political, economic and military level”* (Beck 2000: 102).

By globality, on the other hand, he refers “the new situation of a second modernity”. This is because, according to Beck, “from now on nothing which happens on our planet is only a limited local event; all inventions, victories and catastrophes affect the whole world”, and therefore “our lives and actions, our organizations and institutions” have to be reoriented and reorganized “along a ‘local global’ axis” (Beck 2000: 102). It should however be mentioned, that according to Beck, for certain reasons globality is irreversible (Beck 2000: 102).

On the contrary, among the skeptics, Hirst and Thompson claim that, although “it was clear that much had changed since the 1960s”, there is no such thing as globalization as argued by the globalists. They say that for the true assessment of the existence of a global order, firstly there should be developed a hypothetical model of a global economy (Hirst and Thompson 2000a: 68). They furthermore assert that, for the assessment of globalization a much longer period, such as from the 1860s onwards, should be taken into examination (Hirst and

Thompson 2000b: 277). Hirst and Thompson then argue that “flows of merchandise trade, capital investment and labour migration were all comparable to or greater than those of today” (Hirst and Thompson 2002: 248). With these points in mind, they consider globalization as ‘largely a myth’. The current world order, according to them, is an inter-national one, which is not unprecedented. This is, for example, because “transnational companies appear too relatively rare”. The so-called multinational companies “are based nationally and trade multinationally”. Furthermore, the world economy is dominated by “the Triad of Europe, Japan and North America” (Hirst and Thompson 2000: 68-69).

Among the skeptics, Okyayuz asserts that if globalization is considered as the expansion of trade, production, and the openings of new markets, of labour force and of new resources, then it can be traced back to the Eighteenth century with the development of capitalism and industrial revolution. He divides globalization into three phases: Colonial globalization, Imperial globalization and Neo-liberal globalization. The differences between these phases lie in the form, intensity and social-ecological provision of economical, social, cultural and natural resources to the market forces. The first phase of globalization started through the expansion of trade between continents by European colonial powers. In this phase, an interdependence between colonial and colonialized, and between exploiter and exploited was established (Okyayuz 2002: 83). The main tenet of the Neo-liberal globalization, on the other hand, is ‘deregulation’. This is however not deregulation or openings of all areas to the market forces, but rather the deregulation of those areas impeding accumulation of capital and growth in the centre. Neo-liberal globalization does not even consider national and multinational agreements that would reduce costs and contributes to high growth (Okyayuz 2002: 85).

Yeldan similarly states that globalization is a set of receipts covering social, political and economic areas (Yeldan 2003: 428). Globalization, according to Yeldan, is a neo-liberal project (Yeldan 2003: 429-430). Globalization, therefore, should be considered not as a reality, but as an ideological project promoted by multinational corporations (MNCs) and international financial organizations (Yeldan 2003: 430-431). This is because globalization is not a new phase, but there can be found such phases in the capitalist development, although there are

differences between them. For example, between 1870 and 1914, there was truly a world economy (Yeldan 2003:431). The so-called globalization after the 1980s is the continuity of the pre-1914 period, which was disrupted by the Soviet Socialist Revolution. The rise of the developmental economics, which was supported by national liberalizations, has been put aside in the 1980s (Yeldan 2003:443-445).

Somel, like Yeldan, argues that globalization is not a new thing either. According to Somel, technological development, which is presented as a cause of the emergence of globalization, has already continued for a long time (Somel 2002: 199). He rightly asserts that technological development can also be used to control the mobility of production at the borders (Somel 2002: 201). The cause of globalization, Somel contends, is benefit incentive rather than technological development (Somel 2002: 200-201). The presentation of globalization as a process, he claims, means that it is natural and unavoidable, and it leads convergence among countries (Somel 2002: 200). The forces behind the globalization project, according to Somel like Yeldan, are the capitalist classes of the developed countries, their states, international organizations supported by them, and the dominant classes in less developed countries (Somel 2002:206). Globalization is a project promoted by the center of capitalism to organize the world economy according to their needs (Somel 2002: 207-208).

With the approaches of both the globalists and the skeptics to globalization in mind, it can be argued that the form of current world social, political and economic order is different from that in the postwar period. However, even the globalists, except the hyper-globalists with neo-liberal background, do not argue that globalization has completed; it is in the process that will complete in a future time. There are changes, but the new form has not been fully born yet. Despite this fact, they recommend the re-configuration of institutions/policies in congruence with globalization. It should also be mentioned that according to the skeptics, although there does not exist such thing as a global order, the current world order is not the same as that in the postwar period.

It can be stated that these opposing approaches to globalization present that the viability of Social Democracy continues within the context of globalization, even if it is equated with the nation-state. This is simple because of the fact that the

nation-state continues to exist. The existence of opposing theories of globalization does not verify the argument regarding the collapse of Social Democracy within the context. Similar conclusion can be drawn through the further analysis of basic concepts connoting globalization, such as the form of the world economy, supranational organizations (the EU), financial markets and forms of corporations.

### **3.3. Form of the World Economy: Global Economy or Inter-national Economy?**

One of the most cited implications of global order is the form of the world economy. While the globalists consider the world economy as a global one, the skeptics consider it as the further deepening of inter-national economy. Among the globalists, Castells (2000:259) considers the current world economy as global. The global economy, according to Castells, is different from a world (capitalist) economy, which has existed since the sixteenth century. The global economy, for him, “is an economy with the capacity to work as a unit in real time on a planetary scale”. Castells contends that the development of new communication technologies provided capital to flow between economies of countries “in very short time”. Furthermore, not only currencies are interdependent, but savings and investment as well, and in turn “economies everywhere”. Such developments as the increase of foreign investment and trade, the formation of the World Trade Organization (WTO), the further advance of the European Union (EU), the development of other regions, such as the North America Free Trade Area (NAFTA) and the Asia-Pacific Economic Cooperation (APEC), the increasing “interpenetration of markets”, “the gradual incorporation of Eastern Europe and Russia into the global economy” contributed to the interdependence between all economies (Castells 2000: 262). For the form of the labour market, he asserts that, although they “are not truly global”, “labour is a global resource”. This is because the multinational corporations (MNCs) can invest wherever they want (Castells 2000: 259).

Perraton et al., against Hirst and Thompson’s hypothetical conception of globalization, argue that “globalization refers to a process, not an end-state, and it is therefore inadequate to start from a hypothetical conception of a fully globalized economy” (Perraton et al. 2000: 288). It should however be stressed that Castells

(2000: 261, 265) also asserts that “the international economy is not global yet”. According to Castells,

because of the persistence of nations and national governments, and because of the role of governments in using economic competition as a tool of political strategy, boundaries and cleavages between major economic regions are likely to remain for a long period, establishing a regional differentiation of the global economy (Castells 2000: 262).

Castells contends that global economy “is not a planetary economy”. Neither the global economy includes all economic processes, nor does it involve all countries, nor do all people. However, he says that “it would be only a matter of time down the historical sequences to observe in all clarity the profile of the new, global economy” (Castells 2000: 261), because “it does affect directly or indirectly the livelihood of the entire humankind” (Castells 2000: 263).

Castells claims that, it is “the dynamics of competition between economic agents and between the locales” that produces “the structure of the global economy”. This competition is specific to the nature of the global economy due to “informational economy” or “information technologies” (Castells 2000: 263). The specific features of the competition, he argues, are as follows: “interdependence”, “asymmetry<sup>1</sup>”, “regionalization”, “the increasing diversification within each region”, “selective inclusiveness”, “exclusionary segmentation” and “an extraordinarily variable geometry” (Castells 2000: 264-265).

On the contrary, the skeptics, such as Hirst and Thompson (2000a), consider the current world economy as an inter-national one, “in which the principle entities are national economies”. The growing economic activities contribute to “growing interconnection between still national economies”. This process would result in “the integration of more and more nations and economic actors into world market relationships”, and also in a “national specialization and international division of labour”. They also say that “nearly 81 per cent of

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<sup>1</sup> Castells asserts that “the global economy is deeply asymmetric. But not in the simplistic form of a center, semi-periphery, and a periphery, or of following an outright opposition between North and South; because there are several ‘centers’ and several ‘peripheries’, and because both North and South are internally diversified as to make little analytical sense in using these categories” (Castells 2000: 265).

merchandise trade relative to merchandise GDP is inter-western European trade” (Hirst and Thompson 2002: 253).

Hirst and Thompson argue that “the international and the domestic policy fields either remain relatively separate as distinct levels of governance, or they work ‘automatically’”. The implication of such an inter-national economy for nation-states is that “in the latter case adjustments are not thought to be the subject of policy by public bodies or authorities, but are a consequence of ‘unorganized’ or ‘spontaneous’ market forces” (Hirst and Thompson 2000a: 70). They assert that the relationship between national savings and investment in a country has persisted even after the 1980s. This proves “the continued robust relative autonomy of financial systems” (Hirst and Thompson 2000b: 281). Moreover, they contend that in a truly globalized order, the dominance of the G7 is expected to be “resented, resisted and challenged both nationally and transnationally in an increasingly unequal and conflictual world”, which has actually not happened (Hirst and Thompson 2002: 249).

Hirst and Thompson, it should be stressed, do not believe in the further development of globalization. They assert that “the agenda for global governance is... constrained by the inherent limits of truly authoritative global institutions, by the perceptions and interests of state elites in the G7, and by the mass attitudes of the population of the OECD countries”. The developed countries, according to Hirst and Thompson, would cooperate merely when “major global crises do occur, such as a sudden escalation of climate change or a major epidemic” (Hirst and Thompson 2002: 252). This can be seen through the United States’ (USA) promotion of “trade liberalization in areas where it has a huge competitive advantage” (Hirst and Thompson 2002: 249). Moreover, the border between the USA and Canada, which is assumed to be lose in “its pertinence”, but has continued to exist “as an ‘obstacle’ to trade (and other flows)” between them (Hirst and Thompson 2002: 259). Furthermore, they argue that “real limits to the further expansion of global trade, limits largely established by the continuing salience of national ‘territories and borders’ are likely to continue” (Hirst and Thompson 2002: 263).

The 1990s' inter-national economy, according to Hirst and Thompson, is however different from that of the pre-1914; the 1990s' one "has more generalized and internationalized free trade through the WTO"; "foreign trade is different"; and "the scale of short-term financial flows is greater, the international monetary system is quite different and freedom of labour migration is drastically curtailed" (Hirst and Thompson 2000a: 71).

In his empirical research on the automobile industries of the United States and of Germany examining the convergence hypothesis of the globalists, Kwon argues that the developments in the automobile industry do not confirm the neo-liberal proposition of "the threat of exit option". The contracts in the automobile industries of both the USA and Germany in the 1980s and 1990s has become relatively longer and "sudden changes of contract patterns in the middle of contracts can cause costs", and which will also be a problem "for liberal contract law" (Kwon 2004: 103). He furthermore asserts, that "the revival of contractual relations in the 1980s and 1990s did not confirm the rejuvenation of market liberalism". Against neo-liberal convergence hypothesis, Kwon argues that the developments within markets<sup>2</sup>, such as "the market rationality and its governance are continuously constituted by agents' discursive politics" (Kwon 2004: 88).

In the light of these opposing arguments, it is difficult to argue that the form of the current world economy is a global one and there is no room for nation-states. Except the hyper-globalists with the neo-liberal ideology, no one argues that a truly global economy exists. Furthermore, there are two clashing groups, such as the globalists and the skeptics, and recent researches generally support the latter group. For the meaning of the context of globalization for Social Democracy, these findings reveal the continuing potential of Social Democracy, because globalization does still include national elements. The study of globalization should also include the development of supra-national organizations, such as the European Union (EU), the North America Free Trade Area (NAFTA) and the Asia-Pacific Economic Cooperation (APEC).

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<sup>2</sup> Kwon argues that "although the national economies took on similar patterns as they organized market relations, they did not become neoclassical markets. In the new form of market relations, agents make long-term contracts instead of allowing for short-term mobility and emphasize the identity or history of their transactions instead of maintaining on anonymous relations" (Kwon 2004: 92).

### 3.4. Regions vs. Global Order

One of the significant developments within world social, political and economic order in the postwar period is the raise of the supra-national organizations within particular regions, such as Europe. The first sophisticated example and also the trigger of the development of other regions has been the establishment of the European Union (EU). Then the others come into play: the North America Free Trade Area (NAFTA) and the Asia-Pacific Economic Cooperation (APEC). One of the significant questions arise is that how will the development of these organizations affect globalization? Will these organizations contribute to globalization, or interrupt it? In terms of the relationship between the rise of the organizations and that of globalization, there are contending approaches. One group sees the development of regions as complementary to the globalization process, the other as a hindrance and a new form of state-like organization, and in turn, a possible protectionism.

Mann asserts that a great substance of international trade has concentrated in the triad of regions, such as the EU<sup>3</sup>, the NAFTA and the APEC, which “contain over 85 per cent of world trade, over 90 per cent of production in advanced sectors like electronics, plus the headquarters of all but a handful of the top 100 multinationals (including banks)”. However, despite this concentration, according to Mann, “this does not necessarily mean capitalism is not global”. This, Mann argues, means “that capitalism retains a geo-economic order, dominated by the economies of advanced nation-states. Clusters of nation-states provide the stratification order of globalism” (Mann 2000: 139). It should however be mentioned that, as Mann contends, the EU is still “an association of nation-states, an inter-national network of interaction” (Mann 2000: 142).

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<sup>3</sup> Mann argues that the early cause of the EU was “mainly geopolitical and military; to prevent a third devastating war in the continent, more specifically to bind Germany into a peaceful concert of nation-states” (Mann 2000: 142).

Hettne, on the other hand, considers the development of regions<sup>4</sup> as a “possible approach to a new multilateralism”. He also argues that “globalization and regionalization can be seen as complementary processes, modifying each other, in the formation of a new world order”. In this new world order, “world regions rather than nation-states may in fact constitute basic units in a future multilateral world order” (Hettne 2000: 156).

Hettne considers the EU as “the trigger of global regionalism”. By being called ‘the European Fortress’ by the Malaysian Prime Minister in 1991, the EU may cause the development of regional protectionism through driving the establishment of other regional blocs (Hettne 2000: 161). According to neo-mercantilists, Hettne says, through new regionalism there would be “the regionalization of the world into more or less self-sufficient blocs, where political stability and social welfare are major concerns. Ultimately, this will lead to regions-states, replacing nation-states and thereby restoring stability and control” (Hettne 2000: 164).

Giddens considers the development of the EU “as a response to globalization”, although it started as “part of the bipolar world”. Giddens sees the EU as “far more than a regional association of states”, because “it is developing social, political and economic institutions that stretch above the nation-state and reach down to the individual” (Giddens 1998: 141-142).

Castells, like Giddens, does not consider the development of regions as against globalization. He says that “internal regionalization” is “a systemic attribute of the informational/global economy”. According to Castells, “there is indeed a global economy because economic agents do operate in a global network of interaction that transcends national and geographic boundaries”, although “national governments play a major role in influencing economic processes” (Castells 2000: 262-263).

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<sup>4</sup> Hettne argues that “the higher degrees of regionness define what I mean by *the new regionalism*. It differs from the ‘old’ regionalism in the following respects: (a) Whereas the old regionalism was formed in a bipolar Cold War context, the new is taking shape in a more multipolar world order. (b) Whereas the old regionalism was created ‘from above’ (that is by the superpowers), the new is a more spontaneous process ‘from within’ (in the sense that the constituent states themselves are main actors). (c) Whereas the old regionalism was specific with regard to objectives, the new is a more comprehensive, multidimensional process” (Hettne 2000: 158-159).

Rugman (2000), unlike the globalists, considers the development of regional organizations, such as the EU and NAFTA, as 'the end of globalization'. According to Rugman, because of the involvement of MNCs in the process of the establishment of the NAFTA which includes the USA, Canada and Mexico, is a multilateral agreement that protects its members excluding other states (Rugman 2000: 152). In 1997 60.6 % of exports of the EU members occur within the EU; this is 49.1 % in the NAFTA and 53.1 % within the APEC. Furthermore, 7.67 % of EU exports goes to the USA and accordingly the ratio of the EU exports goes to the other regions is small (Rugman 2000: 167-175). Hirst and Thompson, similarly, argue that the current world economy "is far from being genuinely 'global'". This is because "the Triad of the EU, the NAFTA and Japan obtain most of trade, investment and financial flows" (Hirst and Thompson 2000a: 68-69).

In the light of these arguments, it can be stated that the current world order is dominated by the supra-national organizations, such as the EU and the NAFTA. The internal operation of these organizations is more open than that in the world economy. Furthermore, the supra-national organizations do have potential to create a new protectionism for non-member countries and an interruption of globalization. It is clear that the world economy is dominated by the triad of the regions. It can therefore be concluded that the world economy is far from being global, but rather it is a regional organizations dominant form and in that the G7 is actually the dominant one. Such findings allow us to argue that the viability of Social Democracy continues within the context of globalization. This is not only because of the existence of the nation-state within the context, but because of the dominance of the nation-state within the regional states. The examination of the debates over the form of world financial market would further contribute to the verification of the existence of the nation-state within the context of globalization.

### **3.5. Forms of Financial Markets**

Financial markets have been presented by the globalists as a clear evidence of globalization. Giddens, for example, says that "the most important change is the expanded role of world financial markets, increasingly operating on a real-time basis" (Giddens 1998:30). Perraton et al. (2000: 291-292) argue that the growth of

international finance, either in loans or in foreign exchange has been much more than that of the Gross Domestic Product (GDP). They say that, although interest rates have not converged between all national financial markets, they are “now largely determined globally” (Perraton et al. 2000: 292-293). Perraton et al. contend that the correlation between national savings and investment has declined in the 1980s. The integration of financial markets is also evident in the ability of larger firms “to borrow and save on global markets” (Perraton et al. 2000: 293).

On the contrary, Okyayuz argues that the globalization of financial markets has been built up in the centre, such as New York, London and Tokyo where strategic decisions have been taken (Okyayuz 2005: 245). Hirst and Thompson, on the other hand, assert that

capital mobility is not producing a massive shift of investment and employment from the advanced to the developing countries. Rather foreign direct investment (FDI) is highly concentrated among the advanced industrial economies and the Third World remains marginal in both investment and trade, a small minority of newly industrializing countries apart” (Hirst and Thompson 2000a: 68-69).

Rugman, similarly, says that of the FDI in 1997, 71 % has been made by the EU, the NAFTA and Japan. According to 1997 statistics, 27 % of world FDI (981 billion US Dollars) was invested out of these regions. 40.5 % of the EU investment was made in the EU. He, therefore, contends that the Triad dominates the FDI (Rugman 2000: 173-175).

Against arguments of Perraton et al., Hirst and Thompson claim that there is not a global financial market, because there are still correlations between domestic savings and investment, which is not expected in a global market (Hirst and Thompson 2000b: 281). Hirst and Thompson assert that

so long as governments continue to target their current account, retain some sovereignty within their borders (so that at least the threat of government intervention in cross-border capital movements remains) and differentially regulate their financial systems, investors cannot think about domestic and foreign assets in the same way (Hirst and Thompson 2000: 281-282).

The causes of the rise of international financial activity have been the developments of “increased extent of international lending, financial innovation

and financial conglomeration” (Hirst and Thompson 2000b: 283). Hirst and Thompson contend that the difference between the two inter-national economies is that while in the first period of globalization between 1860 and 1914, international lending was for “investment in real assets”, in the current one “this is no longer so” (Hirst and Thompson 2000b: 284).

Similarly, Yeldan asserts that the difference of the twentieth century globalization from that of the pre-1914 one is the separation of financial capital from industrial production, although financial interactions of the twentieth century has not reached that of the pre-1913 level (Yeldan 2003: 406). The financial markets before 1913 was based on gold standard, while that of the late twentieth century on prices. This difference results in the opening of national financial markets for speculative flows through short-term financial interactions. This in turn causes the central banks to keep high reserves in foreign moneys, that is the US dollar, instead of using the reserves for productive investments (Yeldan 2003: 438-440). Against the globalist approach, Yeldan claims that capital does not go to the countries applying ‘right’ macroeconomic policies, but goes to the countries with different macroeconomic policies and with different structures (Yeldan 2003: 440).

The examination of the form of financial markets, it can be argued, should also take into account the pressures of the international organizations, such as the IMF and the WB, especially in the case of developing countries. Stiglitz (2004), for example, mentions the pressures of the IMF on the governments of Russia and of the Asia-Pacific countries for opening their markets to the international financial markets. This reminds us of Okyayuz’s argument, mentioned above, on the role of the centre, such as New York, London and Tokyo, in the opening of markets according to their needs. Stiglitz, furthermore, asserts that the pressed solutions of the IMF for the crises of the 1990s were wrong (he does not say ideological) and the solutions should be developed according to the developmental level of the economies of these countries.

The most praised implication of globalization, which is the further openings of national markets to international financial activities, has not been spontaneous developments, but through decisions taken in favor of the financial capital of the

developed countries. As a result, in the light of opposing theories of globalization mentioned above, it can be claimed that there is an ongoing debate even on the assessment of the most praised implication of globalization. In this light, globalization does not mean the end of the nation-state; neither does that of Social Democracy. A similar conclusion can be drawn from the examination of the debates over the forms of corporations operating in the world economy.

### **3.6. Forms of Corporations**

The contending approaches to globalization can be presented through the examination of each approach to the form of corporations operating in the world economy. The study of the forms of corporations - national, multinational or transnational - which is raised as both the cause of and the implication of globalization, would contribute to the criticisms concerning the collapse of Social Democracy within the globalization context.

Held and McGrew (2000) argue that the form of multinational corporations (MNCs) is an implication of “the organization of this new global order”. MNCs “account... for at least 20 per cent of world production and 70 per cent of world trade”. They state that, it is not states, but MNCs “that exercise decisive influence over the organization, location and distribution of economic power and resources in the contemporary global economy” (Held and McGrew 2000: 25). Perraton et al. contends that the role and power of MNCs in the world economy has expanded. They now make two-thirds of trade (Perraton et al. 2000: 296). According to them however, although they have ‘exit option’, that does not mean that they are footloose (Perraton et al. 2000: 297). Castells, like Perraton et al., says that although globalization does not mean that “all firms sell worldwide”, their operation has become throughout world market (Castells 2000: 260).

Against the footloose argument of the hyper-globalists, Garret argues that “the behavior of multinational producers is more complex” (Garret 2000:66). He stresses that the decisions of MNCs for investing in or exiting from a location is determined not just by the level of taxes or welfare provisions, but by benefiting from public provision as well (Garret 2000: 306-307).

For the examination of the existence of global world market through developing an ideal type, Hirst and Thomson bring up the concept of 'Transnational Corporations' (TNCs). According to them, corporations in a(n) (ideal type) global market would be transnational rather than multinational. They argue that

The TNC would be genuine footloose capital, without specific national identification and with an internationalized management, and at least potentially willing to locate and relocate anywhere in the globe to obtain either the most secure or the highest returns... The company would no longer be based on one predominant national location (as with the MNC) but would service global markets through global operations. Thus the TNC, unlike the MNC, could no longer be controlled or even constrained by the policies of particular national states (Hirst and Thompson 2000: 72-73).

Most corporations, Hirst and Thompson claim, "are based nationally and trade multinationally". Furthermore, there seems to be "no major tendency towards the growth of truly international company" in terms of the base of corporations' "major location of assets, production and sales" (Hirst and Thompson 2000a: 68-69).

Among the skeptics, Yeldan (2003: 429-430) and Somel (2002:206) consider MNCs as a force behind the globalization project of Neo-Liberalism. Somel says that the connotations, such as 'multinational' and 'transnational' may seem that they are neutral against countries and nations. They nevertheless have owners with a nationality. Furthermore, their R & D location and their production centre should be taken into consideration for the assessment of their (multi)nationality (Somel 2002: 206). According to Rugman, of the top 500 MNCs, 441 are located in the USA, the EU and Japan (Rugman 2000: 194).

In the light of the above arguments, it can be argued that corporations operating in the world economy, which is called as MNCs by the globalists, are concentrated in the developed countries, especially in the G7. With the dominance of the Triad of Regions over the world economy in mind, it is possible to argue that the forms of the corporations are demonstrative for the elaboration of the forms of the world economy. In other words, rather than being a global one, the world economy is G7 dominant inter-national one, with almost nil power of the developing countries. By supporting the corporations, national institutions are still

part of this system, so is national politics as well. It can therefore be concluded, that Social Democracy has the potential to affect the current form of the world economy through national politics. Unlike the disagreement on the forms of corporations and considering them as an implication of global market, there is however an agreement between the skeptics and many globalists on the results of the world market or of globalization, such as inequality.

### **3.7. Inequality in Globalization Debate**

Inequality has been one of the most pressing issues within the globalization debate; it is especially raised by the skeptics. None in both categories denies the effects of globalization on the increase of inequality. However, it can be argued that for the solution of inequality, the hyper-globalists stay in the liberal tradition, which leaves its solution to the world market, while the solutions of both the transformationist globalists and the skeptics include the regulation of the global market, the development of global or international governance, and regulations within the confines of the nation-state.

Modelski, writing in the early 1970s, stated that it was the Western community that benefited from globalization. He argued that

during the past few centuries, the share of the European stock in the world's population has risen substantially... The abundant lands and waters of North America, southern South America, South Africa and Australia became extensions of Europe, and their exploitation significantly altered the distribution of global wealth in favor of the European groups (Modelski 2000: 52).

It can therefore be asserted that, either globalization or inter-nationalization has been a significant cause of the increase of inequality, especially between countries.

For Giddens, however, the increase of inequality cannot be merely attributed to globalization. He argues that the causes of the less development of the poor countries have not only been because of globalization or of the rich countries, but because of their social, economic and political structures, such as authoritarian governments, poverty, conflicts, over-regulation and gender inequality (Giddens 2001: 119).

Castells accepts the “asymmetric” nature of the global economy. He however argues, that in the current world economy the categories, such as centre, semi-periphery, periphery, the North and South, “are internally diversified as to make little analytical sense in using these categories”, despite the concentration of an “overwhelming proportion of technological capacity, capital, markets, and industrial production” in the Organization for Economic Cooperation and Development (OECD) area, especially in the G7 countries<sup>5</sup> (Castells 2000: 265).

Perraton et al., similarly, say that there has been “the rapid growth of manufactured exports from a range of developing countries, which have risen from less than 5 per cent of world trade in these products in the mid-1960s to over 15 per cent today”. This development has caused the disappearance of the divergence between developing countries. In some of the developing countries, which are called as the Newly Emerging Economies (NIEs), “in terms of income level, wages and the product they export, so that the richest NIEs have now reached income and wage levels comparable to poorer West European levels”. They therefore assert, that “it is no longer possible to consider developing countries as a homogeneous bloc in income or trading terms” (Perraton et al. 2000: 290-291). It should however be mentioned that Perraton et al. accept similar argument raised by the skeptics that in the globalization era, growing trade “has continued to be concentrated between industrialized countries, in contrast to the classical Gold Standard era when exchange of products between developed and developing countries accounted for around half of total trade” (Perraton et al. 2000: 290).

Held and McGrew argue that, according to the globalists with a social democratic background, such as “Beetham 1995; Commission on Global Governance 1995; Falk 1995a; Gill 1995; Bradshaw and Wallace 1996; Castells 1997; Greider 1997; Hoogvelt 1997; Gray 1998; UNDP 1999”, economic globalization causes the rise of poverty, which is not merely “confined to the South, the developing world” even “in sectors of the affluent North”. This is because “economic globalization creates a more affluent world for some at the expense of growing poverty for others” (Held & McGrew 2000: 29). They also say

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<sup>5</sup> Castelle argues that “The concentration of resources is even greater at the core of the system , in the G-7 countries, particularly in terms of technology, skills, and informational infrastructure, key determinants of competitiveness” (Castells 2000: 265).

that, according to the globalists with social democratic perspective, “economic globalization ... is responsible for the growing globalization of poverty” (Held & McGrew 2000: 29).

The globalization of capitalism, according to Keyman, does not change the nature of creating inequality and disparity (Keyman 1999: 36). The level of poverty has led to the questioning globalization, which is the second phase of globalization (Keyman 2004: 42).

Okyayuz, on the contrary, argues that the further globalization of markets has caused, not only in industrialized and industrializing countries but in the whole world economy, ‘winners’ and ‘losers’ as well (Okyayuz 2002: 85)<sup>6</sup>. In the current world economy, according to Okyayuz, global inequality has become a permanent structure due to the increase of loans of poor countries, while capital accumulation in rich countries has increased (Okyayuz 2005: 245). Yeldan similarly asserts that there is a close correlation between the globalization process of the twentieth century and the deepening of international inequality. Gini co-efficient has risen from 0,66 in 1960 to 0,68 in 1980 and to 0,74 in 1990 (Yeldan 2003: 434-435).

According to Rodrik, there have been effects of globalization on inequality. He says that one of the consequences of globalization is the transformation of the employment relationship. This is firstly because

reduced barriers to trade and investment accentuate the asymmetry between groups that can cross international borders (either directly or indirectly, say through outsourcing) and those cannot. In the first category are owners of capital, highly skilled workers, and many professionals, who are free to their resources where they are most in demand. Unskilled and semiskilled workers and most middle managers belong in the second category (Rodrik 2000: 323).

Another result of globalization concerning inequality is its effects on the welfare state. Rodrik argues that “globalization has made it exceedingly difficult for governments to provide social insurance – one of their central functions and one that has helped maintain social cohesion and domestic political support for ongoing liberalization throughout the postwar period” (Rodrik 2000: 324).

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<sup>6</sup> Okyayuz furthermore contends, that the income disparity between developed and developing countries has reached to such a high level and in turn people in the developing countries use migration as a personal standing against the disparity (Okyayuz 2005: 243).

On the contrary, Mahler argues that “there is little evidence of a systematic relationship between economic globalization and the distribution of household earnings, fiscal redistribution by the public sector, or the distribution of disposable income”. While there is positive “relationship between a country’s openness to international finance and earnings inequality” (Mahler 2004: 1048), except ‘the cabinet balance of national government’ variable, “domestic political factors<sup>7</sup> continue to play an important role in determining distributive outcomes in the developed world” (Mahler 2004: 1049). He finds that there is “growing evidence that financial openness works to constrain governments’ use of macroeconomic tools to stimulate the economy, affecting earnings distributions in the process” (Mahler 2004: 1048).

Mahler asserts that of the three indicators of globalization, such as trade, foreign direct investment, and international financial flows, none is “significantly related ... to the measure of state distribution”. He states that his research does not support “the commonly expressed race-to-the-bottom hypothesis that the exigencies of globalization will squeeze out state spending”. He furthermore contends, that his findings do not support

the domestic-compensation hypothesis that extensive trade, investment and financial openness will lead to adjustment mechanisms whereby the state systematically redistributes income to groups whose positions have been undermined by global competition” (Mahler 2004: 1041-1042).

The approach to globalization, according to Mahler<sup>8</sup>, should therefore be “a middle ground that combines a broad commitment to global liberalism with a recognition that economic globalization is compatible with a wide variety of political dynamics that can in turn lead to a wide range of distributive outcomes” (Mahler 2004: 1041-1042).

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<sup>7</sup> Mahler (2004) uses ‘electoral turnout’, ‘union density’, ‘partisan balance of national governments’ and ‘centralization of wage setting institutions’ as domestic political variables.

<sup>8</sup> He says that “more broadly, the growing consensus in the empirical literature that domestic politics continue to matter, even in an era of economic globalization, would lead one simultaneously to reject the claim of anti-globalization leftists that economic liberalism must be sharply curtailed if domestic inequality is to be ameliorated, as well as the claim of pro-globalization rightists that the exigencies of international competition call into question any and all efforts to address distributive concerns” (Mahler 2004: 1041-1042).

As a result, it can be argued that the effects of ‘globalization’ on inequality are twofold: one emerges from the trade between developed and developing countries, the second arguably arises from the rise of the restraints on the confines of the welfare states. While the first one results in the increase of inequality between developed and developing countries, the second one is seen through the increase of poverty within countries. The examination of the power and functions of the nation-state, as well as that of the welfare state within the context of globalization will further contribute to the demonstration of the continuing potential of Social Democracy within the context.

### **3.8. Nation-State in the Debates Concerning Globalization**

The conditions of the power and functions of the nation-state in the current world order, globalization, has been considered as a significant development for the collapse of Social Democracy. Its criticisms limit it to the confines of the nation-state, and in turn, consider it as unviable within the context of globalization. The examination of the conditions of the nation-state within the globalization debate raises questions about validity of these arguments, relating to both the nation-state and Social Democracy. This is first and foremost because, not only the skeptics but even the globalists, except the hyper-globalists with neo-liberal attachment, do not argue that the nation-state has lost its whole power over its territory and become a ‘fiction’. In other words, the transformationist globalists assert that the nation-state is transforming through its role and functions, while the skeptics contend that the nation-state is still part of an inter-national economy.

It should be mentioned that the debate on the power and functions of the nation-state is not limited to globalization, but includes the development of supra-national states, as mentioned above, as well. There can, however, be found arguments about the continuity of the nation-state, even in the case of the supra-national organizations, such as the EU. Mann argues that, in terms of Germany and France, although the development of the EU has caused the lose of many of their “particularistic autonomies”, “when allied, they remain the masters on most big issues”. For the case of “the minor and economically weaker states”, on the other

hand, they “may seem to have lost more, but their sovereignty on big issues was more limited in the past” (Mann 2000: 142).

Among the globalists, on the other hand, Strange contends that the development of “single global market economy” causes the decline of nation-states. Now markets become masters on the governments of states (Strange 2000: 149-154).

According to Giddens, the effects of globalization on the nation-state are either “pulling away” of its powers, such as Keynesian economic management, or ‘pushing down’, such as Catalan nationalism in Spain and Scottish nationalism in Britain (Giddens 1998: 31-32; 2001: 140-141). For him, however, this development does not mean that nation-states are becoming ‘fiction’, rather they “retain and will do in the foreseeable future, considerable governmental, economic and cultural power over their citizens and in the external arena” (Giddens 1998: 32-33). On the other hand, Giddens argues that “treating states as actors having connections with each other and with other organizations in the international arena makes it difficult to deal with social relations that are not between or outside states, but simply cross-cut divisions” (Giddens 2000: 93).

Keyman, on the other hand, argues that in the age of globalization the nation-state (national sovereignty), national economy and national identity is experiencing legitimacy and representation crisis, not that of the state or of economy (Keyman 2002: 200-201). Globalization destroys the conditions of the nation-state within modernity and in turn limits and splits its sovereignty (Keyman 1999: 16). Bell (quoted from Keyman 1999: 22-23; and Giddens 2000: 92) similarly argues that nation-state is “too small for the problems of life, and too big for the small problems of life”. The World economy constrains the power of nation-states through the lack increased between the power of political authority and production, distribution and exchange systems (Keyman 1999: 24-25). According to Keyman, international organizations, such as the IMF, the WB and the EU, including international law, similarly raise restraints on or crisis upon the nation-states (Keyman 1999:25). Because of these developments, the division between domestic and international politics has reduced (Keyman 1999: 25-26, 35-36).

Although being in the globalist category, Castells argues that “the persistence of the nation-state and the crucial role of government in influencing the structure and dynamics of the new economy” have been ignored in the globalist approach. Since

there is not, and there will not be in the foreseeable future, a *fully integrated*, open world market for labor, technology, goods and services, as long as nation states (or association of nation states, such as the European Union) exist, and as long as governments are there to foster the interest of their citizens and of firms in the territories under their jurisdiction, in global competition (Castells 2000: 261).

Moreover, although

the quasi-total integration of capital markets makes all economies globally interdependent... because of the persistence of nations and national governments, and because of the role of governments in using economic competition as a tool of political strategy, boundaries and cleavages between major economic regions are likely to remain for a long period, establishing a regional differentiation of the global economy (Castells 2000: 262).

Castells, although being a globalist, does not argue that the nation-state has lost its whole power and become a ‘fiction’ in globalization. This argument of Castells can be rightly inferred as the continuing potential of Social Democracy within the context of globalization.

According to Perraton et al., the ability of national financial systems on determining ‘base interest rates’ has been reduced. Moreover, “the growth of multinational banks and other financial institutions” has contributed to the global financial markets which resulted in “major regulatory challenges for national authorities” (Perraton et al. 2000: 293-294).

Beck argues that “globalization... points... to escape from the categories of the national state” (Beck 2000: 99). He also mentions that the effects of “the global operation of the economy” brings “downward pressure on the welfare state”, because of “the fact that it lacks the means to satisfy demands upon it at a time when the gulf between rich and poor is growing ever under” (Beck 2000: 9-100).

Keohane, on the other hand, asserts that “the meaning of sovereignty changes”. As a result of interdependence, according to Keohane, “sovereignty is less a territorially defined barrier than a bargaining resource for a politics

characterized by complex transnational networks”. For him, some bargaining issues exist between states (Keohane 2000: 117).

In case of environmental issues, according to Mann, the role and functions of nation-states are twofold: While “local/transnational civil society... may transcend the nation-state”, the inter-national coordination brings “states more tightly together”. In case of “new social movements”, except ethnic nationalities politics which may “fragment existing states”, would “strengthen existing nation-states” (Mann 2000: 144). This is because they “demand more regulation by their own nation-state through its legal or welfare agencies” (Mann 2000: 144-145).

Through examining “capitalist transformation, environmental limits, identity politics and post-militarism”, Mann asserts that the arguments of the (hyper)globalists should be cautiously considered. He argues that,

with little sense of history, they exaggerate the former strength of nation-state; with little sense of global variety, they exaggerate their current decline; with little sense of their plurality, they downplay inter-national relations. In all four spheres of ‘threat’ we must distinguish: (a) differential impacts on different types of state in different regions; (b) trends weakening *and* some trends strengthening nation-states; (c) trends displacing national regulation to inter-national as well as to transnational networks; (d) trends simultaneously strengthening nation-states *and* transnationalism” (Mann 2000: 146).

Yergin and Stanislaw, on the contrary, assert that although there is “the apparent precedence of economics over politics”, “this is not the end of the nation-state and even less the end of government”. They state that, “if money and goods travel more freely now than at any time in living memory, individual life continues to be shaped by rules, customs, incentives, and constraints that are fundamentally national and political – the province of government”. In this new context, according to Yergin and Stanislaw,

the state accepts the discipline of the market; government moves away from being producer, controller, and intervener, whether through state ownership or heavy-handed regulation. The state as manager is an increasing laggard in the competitive, mobile capital. Instead, government shifts toward becoming a referee, setting the rules of the game to ensure, among other things, competition” (Yergin and Stanislaw 2000: 321).

One of the reasons raised by the globalists for the decline of the power of nation-states has been the decrease of the autonomy of the nation-states for pursuing macroeconomic policies within their territories. For the effects of globalization on macroeconomic policy, Garret however argues that, “the constraints ... are weaker than much contemporary rhetoric suggests”. The increase of “feelings of economic insecurity” has led governments to “the policy instruments of the state to mitigate market dislocations by redistributing wealth and risk” (Garret 2000:301). The second reason is that against the costs of government intervention, there are their benefits, such as social stability, physical infrastructure and human capital (Garret 2000:302, 304-305). The rise of capital tax from 30 % in 1970 to 40 % in 1990, and the doubling of government “spending as a proportion of GDP from the 1960s to the mid-1990s” in the OECD countries (Garret 2000:310) do not confirm the reduction of or making nonsense of macroeconomic policies, as argued by the hyperglobalists. Furthermore, he argues that there have not been convergence “around a less interventionist macroeconomic policy regime in recent years” in the OECD countries (Garret 2000. 312). He therefore asserts, that there should be “peaceful coexistence” “between interventionist national economies and global markets”, instead of a “collision course” between them (Garret 2000:302).

Garret however argues that, although

up until the mid-1990s, globalization has not prompted a pervasive policy race to the neo-liberal bottom away among the OECD countries, not have governments that have persisted with interventionist policies been hamstrung by damaging capital flight (Garret 2000: 313).

According to Garret, the expansion of “the public economy for political reasons” through the increase of “taxes on capital” may be achieved “without adversely affecting their trade competitiveness or prompting multinational producers to exit”. This is because public economy also means the provision of public goods, such as “human and physical capital” as well as the conditions, such as “social stability under conditions of high market uncertainty” and “popular support for the market economy itself”, which “are undersupplied by markets and valued by actors who are interested in productivity”. This however, does not mean that “no facet of

globalization significantly constraint national policy options”. Especially the constraining effects of the integration of financial markets are much more than those of trade and of “multinationalization of production” (Garret 2000: 313).

Mann furthermore, argues that the effectiveness of macroeconomic planning in the past is exaggerated. He asserts that

macroeconomic planning was a general ideology surrounding some highly abstract concepts, from which were precariously derived some technical tools (including, most fundamentally, national accounting) and policies (which in fact also depended on contingencies). Macroeconomic planning still contains such a mixture, though its emphasis has changed (Mann 2000: 140-141).

In terms of the dissolution of the nation-state, Mann argues that, since “we are nowhere near global free trade”, the operation of “the global economy is... subject to loose and predominantly ‘soft’ inter-national regulation in the shape of organizations like G7, GATT, the WB or the IMF”. In contrast to the hyper-globalists approach, Mann contends that, nation-states benefit from the raise of globalization, or from the increase of the dominance of the G7 (Mann 2000: 140).

On the contrary, the skeptics, such as Yeldan, argue that within the globalization project, the concept of nation state has been reconfigured according to the needs of capital. Because of this, the globalization philosophy presents emerging markets instead of ‘developed’ and ‘less-developed’ concepts (Yeldan 20003: 429). Hirst and Thompson, on the other hand, argue that although globalization is ‘largely a myth’, “it was obvious that radical expansionary and redistributive strategies of national economic management were no longer possible in the face of a variety of domestic and international constraints” (Hirst and Thompson 2000a: 68).

The empirical researches do not confirm the hyper-globalists’ thesis on the nation-state. Brithe Hansen (2002), for example, empirically examines the implications of economic globalization on state formation. Hansen argues that “nationalism did not play a decisive role” in “growing number of European states”. As such, “there was no connection between fluctuations in globalization process and state formation” (Hansen 2002: 303). She furthermore asserts that unlike “the hyperglobalists’ hypothesis that globalization eliminates the state”, for example, in

1990, in Europe “11 new states were formed” (Hansen 2002: 304), which is “one of the most globalized areas as well as the cradle of the system of sovereign states” (Hansen 2002: 307).

State formation, according to Hansen, in Europe between 1990 and 2000 has taken place through “the end of serious power struggles between the international great powers”, which have been WWI, WWII and the break up of the Soviet Union or the end of the Cold War (Hansen 2002: 309). In other words, “the vast majority of the new states were formed within the boundaries of the losing powers and their networks of alliances or at the borderline between the fronts”, which is called as “the zone of defeat” (Hansen 2002: 310). She contends that “the findings showed that nationalism is clearly not omnipresent in the case of state formation and may be present without resulting in state formation”. Therefore, “it cannot be argued that globalization has discouraged state formation in Europe” (Hansen 2002: 312), neither is there a correlation between state formation and nationalism (Hansen 2002: 313).

Bernauer and Achini assert that the globalist argument, which is “fewer obstacles to international trade and financial exchange, could lead to a reduction of the public sector is not new”. Helleiner, Keynes and White, who were “the architect of the Bretton Woods system”, argued long before the globalization debate “without capital controls the welfare state would come under attack” (Bernauer and Achini 2000: 231). They say that, their research “falsify the proposition that increasing economic integration is associated with convergence of public sector size, either upward or downward” (Bernauer and Achini 2000: 253). In other words, empirical evidence does not support the hyper-globalists who claim that economic openness causes the decline of the public sector. Moreover, they assert that their “findings suggest that financial openness ... does not have a significant impact on the size of government”. Financial openness “does not also weaken the strong and positive relationship between trade openness and the size of government”. Instead, they contend, “openness to international trade goes hand in hand with a larger size of the public sector” (Bernauer and Achini 2000: 254-255). Economic openness contributes to the expansion of the public sector through “the security of individuals from the vagaries of the market”, limiting inequalities,

increasing “the productivity of the workforce” and maintaining “the legitimacy of and public support for government” (Bernauer and Achini 2000: 233). They state that the increase of “government expenditure as a percentage of GNP ... has continued... in an accelerated manner since 1960” (Bernauer and Achini 2000: 240-241).

According to Bernauer and Achini, the effects of globalization on developed countries and less developed countries are different. This is because “rich countries could... be more immune to constraints imposed by global markets” (Bernauer and Achini 2000: 229). It can therefore be claimed, that the impacts of globalization on nation-states depend on the developmental level of the country.

In the light of these opposing arguments, it can be argued that the nation-state does and will exist in the foreseeable future even within the context of globalization. Except the hyper-globalists, the globalists do not argue that the nation-state has disappeared or will disappear, but its functions and power will continue to exist, although there have been reduction in them. The skeptics, on the other hand, do not argue that the nation-state does have similar power and functions upon its territory, similar to those it had in the postwar period. The approaches of both the globalists and the skeptics allow us to argue that, since nation-states does and will exist, there is and will be a room for social democratic politics, even if its establishment was limited the nation-state. In other words, the viability of Social Democracy will continue within the context of globalization. Before going to the conclusion, the examination of the arguments of both sides on Social Democracy will contribute to the analysis of the meaning of the context of globalization for the future of Social Democracy.

### **3.9. Globalization and Social Democracy**

The developments in the world order after the mid-1970s have been considered as causing the decline of Social Democracy. It is argued that globalization has caused the destruction of the nation-state, and in turn, the collapse of Social Democracy. The criticisms have been that within the context of globalization, Social Democracy cannot employ its policies of the postwar period. In other words, it is argued that globalization has rendered nationally-oriented redistributive policies

absolute. One of the main deficiencies of such arguments arises from their analysis of Social Democracy merely through its policies, and such an analysis consequently limits it to the confines of the nation-state. Since globalization is considered as the ineffectiveness of the nation-state, or that of the welfare state, for pursuing redistributive policies, then this analysis concludes that Social Democracy will not be viable within the global order.

Against such arguments, this thesis claims that the analysis of Social Democracy merely through its policies is insufficient. This is first and foremost as demonstrated in the Second Chapter and will be further shown in the following chapters; Social Democracy has changes its policies in accordance with the conditions. Secondly, as to be demonstrated in the Seventh Chapter as well, Social Democracy has been developing policies for the context of globalization under the guidance of its principles, such as democracy, progressiveness and social justice. By applying these two methods, this thesis states that it will present the continuing applicability of Social Democracy within the context of globalization.

Beck contends that globalization has brought negative effects on the welfare state. The pressures brought by globalization on the welfare state are twofold: one pressure arises from the increase of expenditure due to high unemployment rates, and rising pension payments. According to Beck, the welfare state “lacks the means to satisfy demands upon it at a time when the gulf between rich and poor is growing ever wider” (Beck 2000: 99-100). Another effect of globalization on the welfare state, and in turn on Social Democracy, it is argued, arises from its inability to increase taxes for welfare provision. Moreover, it is assumed that globalization brings pressure on nation-states to reduce taxes. The criticisms of Social Democracy therefore, conclude that it has lost its workability within the global order.

Gray (2000) similarly asserts that the social market economy belongs to “a particular niche” in the postwar period and it would not be “reconciled with a global free market”. According to Gray, there have been convergence between countries due to competition through “deregulation, low taxes and a shrinking welfare state”, which has caused “downwards harmonization of policies on states which retain social market economies”. He argues that “policies enforcing a

deregulated labour market and cuts in welfare provision are adopted as defensive strategies in response to policies implemented in other countries” (Gray 2000: 328). For Gray, the global economy removes the policy options of governments against economic cycles, and this makes “social democracy unviable” (Gray 2000: 328-329).

Gray claims that the operation of global financial markets “reduce or remove from the world’s social markets much of the freedom their governments had in the past to pursue counter-cyclical policies”. This development causes returning “to a pre-Keynesian situation in which they have few effective levers of macroeconomic management. They are condemned to wait out cyclical downturns in economic activity” (Gray 2000: 328). Gray therefore asserts, that the current form of capital and production, which is global, has “made the central policies of European social democracy unworkable. By so doing they have made today’s mass unemployment a problem without a simple solution” (Gray 2000: 329).

Behind Gray’s argument considering Social Democracy as unviable within the context of globalization lies his formation of Social Democracy. Gray considers Social Democracy as “the combination of deficit-financed full employment, a comprehensive welfare state and egalitarian tax policies”. The basic tenets of this Social Democracy, according to Gray, are as follows: a closed economy, deficit financed full employment, general taxation and welfare state. Social Democracy, Gray argues, was able to work “in Britain until the late 1970s and... survived in Sweden until the early 1990s” (Gray 2000: 328-329). This Social Democracy, he contends, has been made unworkable by global capital markets (Gray 2000: 328).

One of the shortages of Gray’s analysis of Social Democracy has been demonstrated above through the presentation of the existence of the nation-state within the context of globalization. That is to say that, although not to the similar extent in the postwar period, the existence of the nation-state can be rightly inferred that Social Democracy can employ its policies of the postwar period. Another inadequacy of Gray’s analysis is its failure to grasp the efforts of social democrats, such as D. Held and A Giddens, to develop policies for the context of globalization. Such efforts will be presented in the following part as well as in the Seventh Chapter on social justice.

### **3.10. The Response of Social Democracy to Globalization Outside Party Politics**

In the light of the examination carried in the Second Chapter, it has been claimed that the criticisms of Social Democracy, such as that of Gray fails to understand its constituting elements. In other words, the criticisms could not grasp the continuing potential of Social Democracy within different contexts. They, therefore, see the developments within Social Democracy that will contribute to the materialization of social justice, even within the context of globalization, as well as their difference from the policies promoted by Neo-liberalism. Social democrats have attempted to change their policies those will contribute to the workability of Social Democracy within the context. Among the advocates of the Third Way, Giddens asserts that Social Democracy needs renewal through globalization process. They should try to contribute to international co-operation through increasing the power and development of international organization (Giddens 2001: 115).

According to Held and McGrew, “what is required is a new global ethic which recognizes ‘a duty of care’ beyond borders, as well as within them and a global new deal between rich and poor states”. They argue that the project of Social Democracy in the age of globalization should include “the coordinated pursuit of national, regional and global programmes to regulate the forces of economic globalization – to ensure, in other words, that global markets begin to serve the world’s people rather than vice versa”. Social Democracy, moreover for them, should attempt to empower “solidarities between those social forces, in different regions of the world, that seek to contest or resist the terms of contemporary economic globalization”. They furthermore assert, that “to create a more just and humane world order”, there should be developed “a new global (social democratic) compact”, like the one created through the Bretton Woods system, which was “conducive to the pursuit of national social democracy” (Held & McGrew 2000: 29).

There can however be found attempts by social democrats, such as Giddens and Held, to develop social democratic policies to contribute to the materialization of social justice within globalization. Pursuing Olof Palme’s argument, that is, the

disappearance of “the difference between national and world politics” in the long run, Patomaki contends that “emancipatory, globally-oriented political action is a condition for the Nordic ideals to be realized and developed further under new conditions”. Patomaki argues that the EU may present “new possibilities for regulation and redistribution”, since “nation-states are no longer sufficient... for political action”. According to him, “European regionalism has become a possible solution to the problem of controlling and regulating capitalist markets and creating more democratic and solidaristic arrangements” (Patomaki 2000: 139).

According to Patomaki, policies should be developed for the transformation of the EU through the direction to “a democratic welfare state”. The following reforms are cited by Patomaki for the transformation: (i) “Democratizing and empowering the European Union”; (ii) “extending the EU’s legislative powers to the area of taxation”; (iii) “realizing the currency transaction tax (Tobin tax) by the European Central Bank”; (iv) “development of European trade unions”; (v) “stopping deregulation without a social safety net”; (vi) “realizing the European Monetary Union, in particular as a leverage to gaining control over tax havens and making private capital incomes taxable”. These reforms, although not enough<sup>9</sup>, would be “steps towards democratizing decision-making and empowering the EU with state powers to control and regulate capitalist market forces and to take some steps towards European redistribution” (Patomaki 2000: 140). Besides, he contends that

simultaneous action, preferably in collaboration with civil society actors, transforming the content of the Multilateral Agreement on Investment (which were re-discussed in the failed WTO Millennium Round in Seattle) or reforming the UN system, among other things, would help (Patomaki 2000: 146).

Patomaki states that “the fact that particular features of the Swedish model... have been under pressure does not mean that there have been, are, or will be no national alternatives”. According to Patomaki, citing Katzenstein (1985) “despite the economic problems, social-democratic corporatism was still doing

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<sup>9</sup> Patomaki argues that “it is likely that financial re-regulation and the Tobin tax would *not* suffice to reverse the tendencies towards increasing delimitation of the space of democratic self-determination; rapidly growing inequalities; deepening and intensifying commodification; and aggravation of global ecological problems” (Patomaki 2000: 146).

very well in the 1980s". He furthermore argues that, "there remain many arguably sustainable responses to globalization, some of them more in accordance with egalitarian and democratic values and highly capable democratic states than others" in the 1990s (Patomaki 2000: 129).

Gills, on the other hand, argues that "globalization requires a new political order, if universal economic liberalism is to be stable" (Gills 2002: 158). The current world order, according to him, is "too exclusive" and by doing this, "the West will guarantee instability and disorder in the future" (Gills 2002: 160). He contends that "only by democratizing globalization, which means enacting an inclusiveness in the political sphere in ways that incorporate the expression of the popular will, not only of citizens of the rich countries, but of all peoples, can we establish such as balance". This means "a very strong, healthy dose of globalization from below" (Gills 2002: 165). To do this instead of "a pragmatic problem-solving approach", according to Gills, there should be developed a "political theory of global democracy based on the new concept of global citizenship". The theory of global democracy and global citizenship should include "defining 'global equality', 'global justice', 'global solidarity', and 'global liberty'" (Gills 2002: 165-166).

For Gills, the lessons taken from the pre-1929 capitalist expansion has thought that "market alone cannot maintain a stable social, political and economic order over the long term". In the post-1930 period, "it was widely recognized and accepted that the market economy needed stabilizing through new types of stable regulation and intervention and new social compacts". Social compact, Gills contends, means "an inclusive social contract that gave labor essential rights and legitimate political participation" (Gills 2002: 161).

In the light of such arguments, especially those of Patomaki and Gills, it can be claimed that the applicability of Social Democracy continues within the context of globalization. Its applicability cannot be derived from the examination of its policies of the postwar period. Moreover, the policies promoted by social democrats for the context of globalization demonstrate that there will be social democratic policies for the context. These policies, it can be stated, reflect the standpoint of Social Democracy demonstrated in the Second Chapter. In other words, the policies offered by social democrats either through the reorganization of

the supra-national organizations, such as the EU, or through the reorganization of the international organizations, such as the UN, would contribute to the materialization of social justice at the global level. It can therefore be concluded that Social Democracy will be viable within the context of globalization.

### **3.11. Conclusion**

In this chapter, the debates concerning the context of globalization have been examined. There are two contending theories regarding the context. While the globalists conceive the form of the current world order as a global one, the skeptics perceive it as a further inter-nationalization rather than a new form. The globalists argue that the power and many functions of the nation-state have been undermined by the operation of the global financial market and multinational corporations, as well as by environmental issues and communication technologies. The implications of this 'new' form of world order, according to the hyper-globalists, are the end of the nation-state, and in turn, the collapse of Social Democracy.

Such a condition of the nation-state has been presented as the end of the establishment of Social Democracy within the context of globalization. Such argument, I have claimed, arises from their analysis of Social Democracy merely through its policies or the nation-state. The examination of the debates concerning globalization demonstrated that the nation-state continues to exist. The existence of the nation-state verifies the refutation of the hyper-globalist argument regarding Social Democracy. In other words, since the nation-state continues to exist, so does Social Democracy.

The analysis of the workability of Social Democracy through its principles, such as democracy, progressiveness and especially social justice, as outlined by Bernstein demonstrated that there have been efforts of social democrats to develop social democratic alternatives for different contexts. In other words, the efforts of social democrats do actually present that Social Democracy will exist by its different policies from those of both Neo-Liberalism and Marxism. The driving force of its difference will be, as it has been, its values. The issue will be further dealt with in the Seventh Chapter on social justice.

After studying the developmental trends of Social Democracy and the context of the 1990s, globalization, in the following chapter, the accusations directed towards Social Democracy in the case of the Third Way will be examined. The examination will include the analysis of some misunderstandings concerning Social Democracy, such as that it was against the market economy, that it was a working class ideology, and that it neglected the individual. The analysis will contribute to the elaboration of the ideological standpoint of Social Democracy by presenting them as unfounded. By demonstrating the continuities within its tradition, the following chapter will verify the continuing establishment of Social Democracy within the context of globalization.

## CHAPTER FOUR

### THIRD WAY<sup>1</sup>:

#### ITS PLACE WITHIN THE TRADITION OF SOCIAL DEMOCRACY

In the previous chapter the debates concerning the context of globalization have been summarized. The examination of the debates demonstrated that the globalist arguments concerning the end of the nation-state are not verified. Such a finding, I have claimed, allows us to argue that the practicability of Social Democracy continues even if its workability is attached to the nation-state. Against the globalist criticisms of Social Democracy, its viability has been demonstrated through the analysis of its principles, such as democracy, progressiveness, and especially social justice. Before going to further demonstration of the inadequacy of the analysis of Social Democracy merely through its policies, in this chapter some misunderstandings concerning it, such as that it was against the market economy, that it was a working class ideology, and that it neglected the individual, will be challenged. The examination of the misconceptions will further show the continuing relevance of Social Democracy within the context of globalization.

#### 4.1. Introduction

The concept of the Third Way<sup>2</sup> has been presented by some as the new position of Social Democracy within the context of globalization, or by some others as a new ideology between ‘classical’ Social Democracy and Neo-Liberalism. The

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<sup>1</sup> Throughout this study the concept of the Third Way is used for New Labour, *Die Neue Mitte* and Modern Social Democracy.

<sup>2</sup> In this study, it should be mentioned, the debates over the Third Way in the United States of America (USA) are not found relevant. This is because my study is about continuities and changes within European Social Democracy. Since it is difficult to argue that there has been a social democratic tradition in the USA, it becomes irrelevant to study the Third Way in there as well.

examination of the Third Way from the tradition of Social Democracy will therefore contribute to the presentation of continuities and changes within the tradition, as well as to the elaboration of its standpoint within political ideologies. The examination in this chapter will focus on some misconceptions concerning Social Democracy mentioned above. It will be claimed that the insufficiency of the accusations directed towards Social Democracy arise from these misconceptions. Therefore, firstly, the ideological position of Social Democracy once more will be briefly mentioned. Then the criticisms for and against Social Democracy in the case of the Third Way will be examined. Before concluding, the significant concepts with which the Third Way identifies itself will be studied through the developmental trends of Social Democracy developed in the Second Chapter. Before going into the analysis of the viewpoint of Social Democracy, a brief examination of the context within which the Third Way has been raised, will contribute to the demonstration of continuities and changes within the tradition of Social Democracy.

#### **4.2. The Context**

The crucial key concept with which the Third Way defines itself is globalization. Since the examination of globalization is the theme of the previous chapter, it is left aside in this chapter.

It should firstly be mentioned that, it would be oversimplistic to conceive the employment of the concepts regarding the welfare state, such as efficiency and effectiveness by Social Democracy, as its move to the position of the New Right. This is first and foremost because of the fact that, from the early 1970s, it has been argued that the welfare state has come to its limits, and it is not possible even to sustain the current level of spending on social provisions. In the earlier period, the debate was on the aging of the population in the advanced capitalist countries. The impacts of globalization on the welfare state have, however, come rather late. As a result of these debates, there has emerged the need for improving “the welfare state efficiency” and thus achieving “budgetary savings” (Giaino and Manow 1999: 967-968). It can therefore be argued, that the problems of the welfare state along with the electoral decline of social democratic parties, which are considered

as a significant cause of the rise of the search for new policies for Social Democracy has began long before. As a result, it can be claimed that, considering the employment of these concepts by social democrats as mere reflection of the New Right or their move to the viewpoint of the New Right, will be an oversimplification.

After the electoral 'decline' of Social Democracy in the late 1970s, the New Right has gradually taken a hegemonic place within both national and international politics. One of the significant promoters of the New Right has been the Conservative Party (CP) in Britain, where the concept of the Third Way has been raised. By the New Right, it has been argued that the motor of high economic growth in capitalist economy has become the private economy. The public economy, or *etatism*, should be discarded, and in turn, the privatization of public enterprises has been raised. 'Minimal State' or 'limited government' has been promoted.

The supra-national organizations, such as the World Bank (WB), especially the International Monetary Fund (IMF) and the European Union (EU), it should be stressed, have contributed to the implementation of the neo-liberal policies all over the world, and thus, to the rise and continuation of the dominance of the New Right. These organizations have imposed the New Right policies on governments as conditions of getting loan from them. The IMF<sup>3</sup>, for example, imposes deregulation of the national economies and privatization through stand by agreements. To receive loan from the IMF, countries must deregulate their economies according to the neo-liberal economic theory.

Another significant development occurred prior to the rise of the Third Way has been the dissolution of the significant number of the socialist regimes in Eastern Europe. It has been argued that this contributed to the dominance of the New Right ideology, or to that of the *laissez-faire* capitalism, as having no alternative.

There can also be mentioned the further integration among the European countries through the EU. It is argued that the integration has imposed liberal

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<sup>3</sup> It should be mentioned that the IMF imposed on the Wilson government of the BLP in the mid-1970s similar conditions that have been imposed on Turkey.

economic conditions on member countries. The ‘Social Chapter’ that may have transformed the EU to a social democratic institution was left aside, and the EU has become the promoter of the New Right policies.

From the late 1970s to the mid-1990s, the political parties that promoted and pursued the New Right had stayed in power for more than a decade in many developed countries. Within this context, social democratic parties in the northern countries, such as Britain and Germany, were finally able to come into (national) power after a long period of time<sup>4</sup>. It should, however, be mentioned that the state of the SPD, as to be mentioned later, is different from that of the BLP.

Throughout this long period of opposition or consecutive election loses, they have sought ‘programmatically renewal’. The ‘programmatically renewal’ within Social Democracy has raised ceaseless debates, especially within the BLP. In the BLP, the ‘programmatically renewal’ had firstly been called as ‘New Labour’ and then presented as the Third Way. Before going to the examination of the Third Way, however, the standpoint of Social democracy is briefly analyzed for the elaboration of its approach to Capitalism and of the place of the Third Way within the tradition of Social Democracy.

### **4.3. Standpoint of Social Democracy**

The analysis of the workability of Social Democracy within the context of globalization, as argued in the Second Chapter as well, should take into account its standpoint within its *governing years* that was between the end of WWII and 1980. In this period, its reformism can be demonstrated in both the political and economic spheres, although its reformism was not apparent in the economic sphere within its *formation years*, especially before WWI. With the adoption of Keynesian economics into Social Democracy as its economic policies, its formation period ended.

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<sup>4</sup> It should however be mentioned that in the Southern European countries, such as Spain and Greece, the social democratic parties could stay in office during the same period of time and for that long. Although their social democratic performances have been ignored, they significantly contributed to either the democratization of their post-authoritarian regimes, or the rise of the welfare states, especially in Spain.

Social Democracy in the postwar years has been equated with Keynesian economics, including full employment and welfare state. Bearing in mind these policies, it can be defined, as Sassoon<sup>5</sup> (2000: 57) and Smith (1994: 709) make as well, as *an ideology seeking social justice within the confines of Capitalism*. The definition envisages the viewpoint of Social Democracy in its governing years. This definition entails that the defining characteristics of Social Democracy are its principles, such as social justice, as outlined by Bernstein, and also the materialization of them will be within the capitalist mode of production. Moreover, the definition also implies that the policies employed by social democrats can be changed according to the context. As to be demonstrated in the Fifth and Sixth Chapters as well, such changes were present in its governing years. Therefore, it will be argue that the examination of the practicability of Social Democracy should bear in mind its ideological position in the postwar period. Most of the criticisms of Social Democracy however, lack such a method.

#### **4.4. Accusations Directed to Social Democracy in the Case of the Third Way**

The criticisms of Social Democracy in the case of the Third Way argue that after 1980 Social Democracy has experienced discontinuities. The first group of the critics against the Third Way sees it as the reflection of the Liberalism of Gladstone and Grimond in Britain. Ryan (1999) argues that the Third Way is not new in Britain. In the early years of the twentieth century, he asserts, the Third Way was firstly showed up as New Liberalism. He says that “the truth is that the Third Way is neither New Labour, as its detractor say, but a reversion to a very old idea” (Ryan 1999:77). Ryan however, rejects the arguments considering the Third Way as the Thatcherization of British social democracy. According to Ryan, the Third Way does not leave out employment concerns. What it does, is to employ, for example, “a variety of forms of state interventions, such as education for all ages, job training schemes and reconfiguration of the payments of unemployment benefits to improve employment” (Ryan 1999:77-78).

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<sup>5</sup> Sassoon argues that “one is Marxism... the other variety of socialism... can be conceived as an attempt to regulate capitalism. This came to be known as Social Democracy” (Sassoon 2000:57).

Similarly, Beer argues that ‘New Labour’ represents the liberalism of Jo Grimond, who was the leader of the Liberal Party between 1956 and 1967, while Thatcher does that of Lloyd George. According to Beer, Grimond rejected the consensus of the postwar period that was on the welfare state, and instead of rights, he promoted duty (responsibility). He contends that Grimond did not advocate “endless welfare benefits”, and argued that ‘the purpose and limits of the system is equality of opportunity’ (Beer 2001:25-26). He therefore argues that, ‘New Labour’ is not socialism or even social democracy; neither is it Thatcher’s neo-liberalism, but it is that of Grimond’s liberalism (Beer 2001: 28).

There are on the other hand some, such as Abrams, who sees the Third Way as an election-winning tactic. Abrams approaches the Third Way from the conservative position. He considers the Third Way as “a formula for winning elections”. He puts Clinton into the same category with Blair and Schroeder, and argues that they try to “combine the efficiency of free-market capitalism with the old-fashioned security and solidarity associated with government-centered Liberalism in its heyday” (Abrams 1999: 17).

Giddens’ comparison of ‘classical’ social democracy with the Third Way:

<p><b>‘Classical’ Social Democracy (the old left)</b>  Pervasive state involvement in social and economic life  State dominates over civil society  Collectivism  Keynesian demand management, plus corporatism  Confined role for markets: the mixed or social economy  Full employment  Strong egalitarianism  Comprehensive welfare state, protecting citizens ‘from cradle to grave’  Linear modernization  Low ecological consciousness  Internationalism  Belongs to bipolar world</p>	<p><b>Third Way Programme</b>  The radical centre  The new democratic state (the state without enemies)  Active civil society  The democratic family  The new mixed economy  Equality as inclusion  Positive welfare  The social investment state  The cosmopolitan nation  Cosmopolitan democracy</p>
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(Giddens 2000: 7, 70).

The third group of the criticisms against the Third Way accuses it as a new ‘revisionism’ of Social Democracy. Some in this group consider the Third Way as

a new ideology, while some see it as the Thatcherization of British social democracy. Giddens has been one of the prominent advocates of the Third Way. He argues that the Third Way is a new ideology between 'classical' Social Democracy or the 'old left' and Neo-Liberalism.

Like Bernstein in the late 1890s and Crosland in the 1950s, Giddens asserts that the change of social, political and economic structures require new policies and conceptions. Because of the changes, he says, he has tried to develop a new ideology, rather than making a critique of the developments within Social Democracy, especially within the Labour Party. Isaac argues that Giddens' Third Way "is the product, not of political myopia or opportunism, but of a serious and in some ways exemplary intellectual trajectory" (Isaac 2001: 61).

Similarly, Cronin (1999) considers the Third Way is something new. He however, argues that the Third Way contains difficulties "in convincing the public of its radicalism and innovation". The announced policies or values until now have been "vague, contradictory, and inconsistent". The second one arises from the first is that 'New Labour' policies are not coherent. The third problem, he asserts, is regarding the base of the BLP. According to Cronin, it does not merely represent the working class only, any more (Cronin 1999: 183-184).

Cronin furthermore argues, that the Third Wayers "reject especially the style of policy-making that has often been labeled corporatism – negotiations between organized interests and the state about the details of public policy" (Cronin 1999: 185). According to Cronin, the Third Way's acceptance of a flexible labour market, competition and entrepreneurship demonstrates that it is not 'socialism' or even Social Democracy (Cronin 1999: 185).

Some in this group contend that the Third Way has left its earlier position. Applebaum, for example, asserts that there have been changes within the position of British social democracy. She considers 'old labour' as 'genuinely socialist', which meant a planned economy, nationalized industry, state housing and a 'fair' society that is based on very high taxes (Applebaum 1999: 46).

Likewise, Hay (1994) states that, the British Labour Party "has indeed undergone a profound transformation of structure and policy". According to Hay, "the 1990s marks a new consensus politics, which is different from that of the

post-war one. In this consensus the structures and perceived responsibilities of the state” is different. Indeed it is a “Thatcherite settlement” (Hay 1994:701).

Yalman, on the other hand, claims that there have been fundamental changes within the ideology and program of the BLP, which resembles the transformation of western European social democratic parties. Through this process, the parties have gradually come to the position of right-wing political parties (Yalman 1999: 56). Yalman says that instead of abolishing the market, the idea that the market with competition would provide self-development and welfare for individuals started by Kinnock and continued by Blair was the theme of the transformation (Yalman 1999: 60).

Yalman also contends that the Labour Party has dramatically reduced its commitment to the welfare provision. He asserts that in a situation where the taxes cannot be raised, and where priority is given to macro-economic stability, public spending should be put under tight control. This means, there cannot be new/extra spending on the welfare provisions, such as education and health care (Yalman 1999: 59).

Yalman furthermore, criticizes the BLP in terms of the decline of its relations with the trade unions. The decline of the relation is conceived by him, as the Thatcherization of the Labour Party, or as the reflection of the change of its social base. For him, this change presents the continuity of Thatcherism by the British labourists (Yalman 1999: 62-63).

Crouch (2001), on the contrary, argues that the experience of the Third Way in government presents that there can be found either continuities of Social Democracy or elements of a truly Third Way, as well as the continuities of Neo-Liberalism. He firstly asserts that, the examination of the Third Way between Social Democracy and Neo-Liberalism is difficult, because “social democracy itself has been a third way between socialism and laissez-faire capitalism” (Crouch 201: 93).

Crouch contends that ‘the party is still fundamentally social democratic, in part even socialist’ (Crouch 201: 94). He argued that

It is interesting to reflect that on the two questions of the minimum wage and union recognition rights, the present government has in fact been

more social democratic than its Labour predecessors (1945-1951; 1964-1970; 1974-1979), which had largely accepted British unions' long-standing previous *liberal* case that such rights are best won in economic struggle and not legislated for by government (Crouch 201: 102).

According to Crouch, the "social democraticness" of the BLP has also been demonstrated by its acceptance of the Social Chapter of the European Union. The Conservative Party (CP) had rejected "to participate in the Protocol on Social Policy of the Treaty of Maastricht, partly on neo-liberal grounds and partly those of national sovereignty" (Crouch 2001:100).

Crouch, on the other hand, says that the 'stakeholder' policy is a new one that demonstrates the BLP's stance as the Third Way. This is because the 'stakeholder'

Proposed legal recognition of the rights of a number of legitimate interests, including those of workers, within firms. The traditional position of English law has been to recognize only shareholders. This would have been analyzable as a true the Third Way policy, in that it can be assigned to neither neo-liberal nor social democratic traditions" (Crouch 2001:103).

Crouch also, argues that the Labour Government should also be judged from what it does not do. He says that

It is here that the neo-liberal continuities of New Labour need to be set alongside the social-democratic innovations: continued support for labour-market flexibilization and deregulation; support for the 'maximization of shareholder value' model of capitalism; no place for tripartite macroeconomic steering, or even for the active encouragement of bipartite action, in central tasks of economic governance" (Crouch 2001:104).

On the contrary, Smith (1994) argues that considering the changes within the BLP as merely reflection of Thatcherism is "an oversimplification". This is because "it distorts the character of the policy changes, misunderstands the nature of the Labour Party, and provides a normative condemnation rather than a contextualized explanation" (Smith 1994:708). He therefore rightly asserts that, the history of the BLP has been neglected, and this causes the overestimation of Labour's radicalism. The British social democrats of the 1950s, such as Crosland, Smith argues, "had a belief in a competitive market economy". For them,

“capitalism provided the most rational system for the organization of economic life, the maximization of national wealth and the promotion of general welfare” (Smith 1994: 709).

Smith furthermore, argues that the difference between Thatcherism and ‘New Labour’ is still as distinct as that between Harold Wilson’s social democracy and Edward Heath’s conservatism. For example, Thatcherism sees the market as the most efficient means for distribution and “any intervention produces distortions and inefficiencies”. Although the confidence of ‘New Labour’ in the market has increased, there can be found causes for state intervention, and they do not argue for further privatization (Smith 1994: 710). Moreover, while Thatcherism has tried to abolish the welfare state, ‘New Labour’ tries to modernize it.

For Germany, Busch and Manow (2001) contend that the state of the Social Democratic Party of Germany<sup>6</sup> (SPD), or that of Schroeder, cannot be considered as a Third Way. They firstly say that

The phrase ‘Neue Mitte’ was used by Willy Brandt in the early 1970s in connection with the coalition between the SPD and the FDP of the ‘Freiburger Thesen’ (the peak of ‘social-liberal’ influence in the FDP). Brandt situated this Neue Mitte in the tradition of the 1848 revolution (Busch and Manow 2001:180).

They furthermore argue, that “the more time passed after the federal election, the clearer it became that ... there remain substantial differences between Blair’s New Labour and Schroeder’s New Centre or *Die Neue Mitte*” (Busch and Manow 2001: 175). They assert that *Die Neue Mitte* was just an election winning tactic for the SPD in the 1997 general elections. It is “*not* one of deeper programmatic dignity” (Busch and Manow 2001: 179). Moreover, during the election campaign the SPD, unlike the BLP of Tony Blair, “promised to take back the few reforms on which the Kohl government finally had been able to agree: sick-pay, pension reform, the lowering of the employment protection standards and the cuts in the *Schlechtwettergeld*” (Busch and Manow 2001: 182-183).

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<sup>6</sup> The political system of Germany, unlike that of the Great Britain, which is federalism, gives the SPD a better place. Although the SPD had been out of office for 16 years, it had continued to hold significant influence within the German political system (Busch and Manow 2001:178).

The criticisms of Social Democracy in the case of the Third Way can also be categorized in terms of its concepts, such as social justice, social base (the relation between social democratic parties and the working class), the individual and the market economy. Concerning these concepts, it has been argued that Social Democracy has moved to the position of the New Right. Such criticisms, for example, accuse social democratic parties that they loosened their attachment to their social base, which is according to them the working class, because they praise the market economy, which they arguably tried to abolish before by way of the nationalization policy in the postwar period. The market economy has become the instrument of sustaining stable economic growth, and in turn, of the fulfillment of social justice. It will be stated that such accusations against Social Democracy regarding these concepts is unfounded. The analysis of Social Democracy through these misunderstandings results in the arguments considering discontinuities within its tradition. Therefore, in the following part, some of these conceptions, such as its perspective on state-market relations, its relation with the working class and its conception of the individual, will be elaborated through the three developmental periods developed in this thesis.

#### **4.5. The State and the Market Economy Within the Social Democratic Tradition**

Social Democracy, in the case of the Third Way has been accused of having experienced rupture within its approach to the relationship between the state and the market economy. As to be demonstrated below as well, the examination of Social Democracy in its governing years presents that the accusations' analysis of Social Democracy, including that of the advocates of the Third Way, has been carried out through the misconceptions concerning it. Giddens, for example, presents the social democratic perspective on the relationship between the state and the market economy in the postwar period as the "state dominates over civil society". He argues that "the neoliberals want to shrink the state; the social democrats, historically, have been keen to expand it". The Third Way, according to Giddens, claims that "what is necessary is to reconstruct it – to go beyond those on the right 'who say government is the enemy', and those on the left 'who say

that government is the answer” (Giddens 2000: 70). He furthermore asserts, that “state and civil society should act in partnership, each to facilitate, but also to act as a control upon, the other” (Giddens 2000: 79). The examination of Social Democracy in its governing years however, shows that the ‘classical’ Social Democracy attached significant importance to the market economy/competition.

Before going into the examination of the social democratic perspective on state-market relations, it should firstly be mentioned that, as Sassoon argues well, the entry of the state into the Left ideologies came late. He asserts that “throughout the nineteenth century, socialist movements were against the state”. Sassoon contends that the entry of statism into the social democratic movement were because their struggles “for democracy, social welfare, and the regulation of work” (Sassoon 2000: 59). However, the role of the state through the regulation of Capitalism, especially in the postwar period, took a significant place within Social Democracy. The state would be open to every section of society, which means its democratization, and would also contribute to social justice, since its machine can be taken into control through parliamentary democracy. It can however be argued that, conceiving the rise of the power of the state for the materialization of social justice as the abolition of the private property or that of the market economy would be an oversimplification. The examination of the governing period as mentioned above demonstrates that the market economy took significant place within the ‘classical’ Social Democracy.

From the social democratic perspective, the relationship between the state and the market should also be examined through the social democratic corporatism<sup>7</sup>, which had been between the trade unions, business organizations and government. The corporatist exercises had been significant in the postwar period, especially for the case of the BLP. The Labour Party had organic relations with the trade unions, as mentioned above as well. This is where the most significant development occurred within British social democracy. The power of the trade unions within the BLP has reduced since the 1980s. The number of

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<sup>7</sup> Crouch argues that “in Anthony Giddens’ analysis of the characteristics of political doctrines (1999), corporatism is listed as one of the five characteristics of social democracy, but is defined as ‘state dominates over civil society! This shows little understanding of what neo-corporatist industrial relations meant in those countries where they were most practiced” (Crouch 2001:106).

individual members has increased, and the BLP has claimed to be a 'multi-class based' party. Crouch conceives this development as the move of the Labour Party to the standpoint of the New Right. He says that

The Labour government has followed its Conservative predecessor in not making use of organizations of business and labour for purpose of macro-economic management or social policy reform. Subject to any corruption..., this is consistent with a neo-liberal insistence on separation of polity from economy and from organizational interests as opposed to those expressed through the market (Crouch 2001:98).

It should however be stressed, that this does not mean that the Labour Party neglects the concerns of its social base.

It is however difficult to consider the concept of corporatism of the 'classical' Social Democracy as the domination of the state over civil society, as argued by Giddens. Rather it was coordination between government, employers and employees. In the 1950 election manifesto it was said that the British social democrats "have begun to build up a flourishing partnership between Government, management and workers... They should consult with workers' representatives before decisions affecting them are taken, and not after" (BLP 1950 Election Manifesto 2000: 65-66).

It can however be argued that, although they argue that "traditional conflicts at the workplace must be overcome", there are still the elements of corporatism within *Die Neue Mitte*, but not within the Third Way. Blair and Schroeder assert that

The new Social democratic government in Germany gathered the top representatives of the political sector, the business community, and the unions around the table to forge an Alliance for Jobs, Training and Competitiveness. We want to see real partnership at work, with employees having the opportunity of sharing the rewards of success with employers" (Blair and Schroeder 2000: 55-56).

The social democratic perspective on the relationship between the state and the market can be examined from various points: the role of the state through economic growth, social democratic corporatism, sustaining competition within the market, and the significance of small- and medium-sized firms. Unlike the misunderstanding, Social Democracy in its governing years, attached a significant

role to the state through high economic growth. The state would contribute to the growth by Keynesian economic policies. However, Keynesian economics should not be seen as solely developed by social democrats for the social democratic objectives. It was developed after the Great Depression of 1929 and became widespread after WWII. In congruence with its reformism, Keynesian economics, as mentioned before, was adopted to Social Democracy for achieving and sustaining full employment, which was significant for the materialization of social justice. In the postwar period, the Keynesian policies were successfully able to contribute to high economic growth, and in turn, to full employment.

In the early 1970s however, Keynesian economics failed to sustain economic stability as argued both in the Second and Sixth Chapters as well. According to Keynesian economics, steering economy can be achieved by increasing or decreasing state expenditures. By steering economy, while full employment can be attained, inflation can be avoided. However stagflation could not be prevented in the 1970s and social democrats, such as Callaghan, the leader of the BLP, and Schmidt, the leader of the SPD, came to the conclusion that state expenditures would not work as it had been thought before. The approach of Social Democracy in the 1990s to the Keynesian policies should bear in mind this point. Since they cannot sustain high growth, it is understandable for Social Democracy to search for new policies that would contribute to growth. The adoption of Keynesian economic above all, it can be argued, cannot be perceived, neither as the demonstration of the state over civil society, nor as the neglect of the market economy by social democrats.

In terms of the state-market relations, the perspective of Social Democracy on the working of the market economy, on the competition within the market and the state of the private firms, should also be examined as well. As will be demonstrated through the examination of the place of nationalization or that of public property within the tradition of Social Democracy after WWII as well, it is difficult to argue that the 'classical' Social Democracy had pursued the abolition of the market economy, neither that of private property through nationalization policy. It can therefore be argued, that the analysis of the social democratic

perspective on the market economy by its criticisms has been carried through misunderstandings.

The existence of the market or competition within the 'classical' Social Democracy can be demonstrated by examining both its policies and their implementation in the postwar period. Social democrats in the governing years, never wanted to replace the market with the state. In the 1959 election manifesto, the British social democrats argued that they "have no other plans for further nationalization. But where an industry is shown, after through enquiry, to be failing the nation we reserve the right to take all or any part of it into public ownership if this is necessary" (BLP 1959 Manifesto 2000: 96).

Similarly, in the *Bad Godesberg* Program of the SPD of 1959, the German social democrats argued that, as mentioned in the Second Chapter as well, *as much competition as possible and as much planning as necessary*. This slogan, it can be claimed, demonstrates the content of the Program and can be conceived as presentation of the stance of German social democracy on the market economy. That is to say, that the German social democrats in the late 1950s did not argue for the abolition of the market, but rather for the rise of the market with 'real' competition.

What social democrats wanted was the regulation of the market inefficiencies, such as monopolies and oligopolies, and thus, was able to sustain high growth through Keynesian policies. In the 1950 election manifesto of the BLP, it was argued that

Private enterprise must be set free from the stranglehold of restrictive monopolies. Labour's aim is to give a fair chance to everybody in industry, above all the small concerns which have been the most ruthlessly exploited by trusts, cartels and rings. The less efficient firms will be helped to raise themselves to the standards of the best... The Government will be ready in suitable cases to provide manufacturers with buildings and general purpose equipment for sale or hire, as well as finance for approved capital expenditure (BLP 1950 Manifesto 2000: 66).

It should, however, be mentioned that, with the rise of the power of the leftist groups within the Labour Party in the early 1970s, as mentioned in the Second Chapter as well, Labour's approach to state-market relations in comparison

with its previous position relatively radicalized. This radicalization can be demonstrated by the examination of the Labour's 1974 General Election Manifesto (BLP October 1974 Election Manifesto 2000: 198, 203). As mentioned in the Second Chapter, under the heading of S. Holland, the Party manifesto of 1973 argued for further nationalization and relatively bolder planning for the control of the British economy. This program was however never implemented, because the earlier standpoint of the British social democrats continued to dominate the agenda of the Party. It can therefore be claimed, that for the examination of continuity and change within the tradition of Social Democracy in Britain, it is not relevant to take the 1973 Program as the demonstration of the viewpoint of the BLP, but it was that of the leftist groups within the Party.

The examination of the social democratic perspective on the market economy and on its relation with state in the postwar period, as argued by Smith (1994) as well, demonstrates that it was not as radical as it has been thought. Social Democracy did not raise the abolition of the market economy through the nationalization policy; neither did it neglect the market forces for sustaining high economic growth. But rather, social democrats did stand for a market economy with 'real' competition, and the role of the state was seen as the elimination of market inefficiencies. The social democratic point of view on the market economy in the postwar period can also be conceived as a friendly relationship between capital and labour for growth, which would mean full employment and fulfillment of social justice. It can therefore be claimed, that the conception of the state-market relations by the Third Way does not present discontinuity in the social democratic tradition, but as the elaboration of its position that was developed in its governing years.

Similar role is given to the state by the Third Way. Blair's first election manifesto (1997) said that "Government and industry must work together to achieve key objectives aimed at enhancing the dynamism of the market, not undermine it" (BLP 1997 Election Manifesto 2000: 347). The state intervention in the economy, it can be stated, is present within Giddens' conception of the Third Way as well. According to Giddens, "the Third Way politics... advocates a *new mixed economy*". He considers the 'old' version as market subordinated to

government. In his conception, “the new mixed economy looks instead for a synergy between public and private sectors, utilizing the dynamism of markets but with the public interest in mind” (Giddens 2000: 99-100).

It is difficult to argue that Social Democracy in the case of the Third Way employs the policies of the New Right. That is to say that, in terms of the state-market relations, the Third Way has not moved to the standpoint of Neo-Liberalism. In the 1997 election manifesto, it was said that the “government cannot solve all economic problems or end the economic cycle. But by spending wisely and taxing fairly, government can help tackle the problems” (BLP 1997 Election Manifesto 2000: 354). They furthermore, argued that they “will build a new partnership with business to improve the competitiveness of British industry for the twenty-first century, leading to faster growth” (BLP 1997 Election Manifesto 2000: 357).

The Third Way, like the ‘classical’ Social Democracy, gives small- and medium-sized businesses significant importance. Like the early election manifestos, there can be found an emphasis on small- and medium-sized business in the 1997 one. It was argued that “the number of small employers has declined by half a million since 1990. Support for small business will have a major role in our plans for economic growth” (BLP 1997 Election Manifesto 2000: 358).

Similar emphasis to small and medium firms exists within Blair and Schroeder’s joint declaration on the Third Way. They say that these businesses have the biggest potential for growth and employment “in the knowledge-based society of the future” (Blair and Schroeder 2000:61). Therefore, they say that

the willingness and ability of enterprises – especially small and medium-sized enterprises - to invest should be enhanced, as intended by the Social Democratic government in Germany through the reform of the taxes on business and as shown by New Labour’s reform of capital gains and business taxes in Britain” (Blair and Schroeder 2000: 57).

One of the inadequacies of the analysis of Social Democracy in the case of the Third Way by its criticisms is that they focus on the similarities between the policies of the Third Way and those of the New Right, but not on the differences between them. The difference of Blair’s Labour from Thatcherism can be demonstrated by examining its perspective on privatization as well. Labour does

not argue for further privatization. In the 1997 election manifesto, it was said that “instead of privatization, we propose a partnership between public and private provision, and a balance between income sources from tax and invested savings” (BLP 1997 Election Manifesto 2000: 368-369). As said in the 1997 manifesto, Blair’s administration would oppose the privatization of the London Underground (BLP 1997 Election Manifesto 2000: 371).

The conditions of high economic growth, from the point of view of the Third Way, are flexible markets. It should however be stressed that, unlike the neo-liberal approach, the Third Way viewpoint concerning flexibility is not limited to the labour market, but it included product and capital markets as well (Blair and Schroeder 2000: 58-59). They argue that

To achieve higher growth and more jobs in today’s world, economies must be adaptable: flexible markets are a modern social democratic aim... Companies must have room for maneuver to take advantage of improved economic conditions and seize new opportunities: they must not be gagged by rules and regulations (Blair and Schroeder 2000: 58-59).

They however, say that arguing for flexible markets does not mean they are *laissez-faire* liberals, because they combine flexible markets with an active state given “a newly defined role”. They assert that “the top priority must be investment in human social capital” (Blair and Schroeder 2000:60).

The BLP has initiated a program called *New Deal at Work* in 1998 for both the reduction of unemployment and increase of labor-force participation. Crouch argues that the program is “strongly social democratic”, because it uses “public money to assist” people by way of “provision of childcare support, education and training, and subsidized work” to enter the labour market, although it includes neo-liberal “components of withdrawing welfare benefit and its toughening of incentives to enter the labour force”. After all, the program aimed at moving “as many unemployed as possible from dependence on welfare support to participation in the labour force” (Crouch 2001: 99). As a result, in terms of state market relations it can be argued that, although there are changes, they are consistent within the tradition of Social Democracy.

It is difficult to argue that there has occurred discontinuity within the social democratic tradition in terms of the difference between the approach of the Third

Way to the market and competition and that of the 'classical' Social Democracy. Social Democracy in its governing years stressed on the abolition of monopolies and oligopolies that would prevent the competition within the market economy. The state intervention, or the public economy, was employed to sustain 'real' competition within the market. The Third Way shares similar approach to the market competition. Blair and Schroeder assert that, for stimulating productivity and economic growth, "product market competition and open trade are essential". "For that reason", they state, "a framework that allows market forces to work properly is essential to economic success and a pre-condition of a more successful employment policy" (Blair and Schroeder 2000:57).

It is also difficult to argue that the social democratic conception of the state of the Third Way or *Die Neue Mitte* is brought down to that of Neo-Liberalism, even though they argue that "the state should not row, but steer: not so much control, as challenge" (Blair and Schroeder 2000:55). The state still does have an active role, especially within the education and training services that prepare individuals for the knowledge-based economy/society of the future, and in turn, improve the supply of labor available to employers. The state also pursues employment policies, such as welfare to work programs in Britain and "an Alliance for Jobs, Training and Competitiveness" in Germany (Blair and Schroeder 2000). There has been similar misunderstanding concerning Social Democracy's relations with the working class.

#### **4.6. Social Base of Social Democracy: Working Class or Workers as Individuals**

The development within the relationship of Social Democracy with the working class has been presented by its criticisms as another rupture that it has experienced after 1980. Such accusations have been based on the misconception that Social Democracy was a working class ideology. This misunderstanding will be challenged in the following part. Regarding the social base of any ideology or any of political party, it should firstly be said that, although the attachment of any one of the ideologies to one of the social classes is a difficult task, in the case of Social

Democracy this is even more controversial bearing in mind its development within the course of its history.

There is no doubt that there was an organizational affiliation between social democratic parties and trade unions, especially in northern Europe in both the *formation* and *governing years*. Either as in the case of the BLP, which was established by trade unions, or that of the SAP in Sweden, there was an organic relation between the parties and the unions. Such an affiliation however, is not a sufficient criterion for attaching an ideology to one of the classes, because this approach cannot be employed for the ideologies on the Right. In other words, there can be found some sort of affiliation between the right wing political parties and trade unions. Furthermore, there is no organic relation between right wing parties and the social classes to whom they are attached. Unless we do not develop other criteria for the attachment, we cannot elaborate the relation between ideologies and social classes.

For the examination of the relations between ideologies/political parties and their social classes, their objectives as well as their appeal to the social classes should be taken into consideration. In terms of the relationship between political parties on the Right, such as Christian democratic, conservative and liberal parties, and the social classes, their relation with the social classes are not taken into account, but they are their values that are employed for their attachment to one of the classes. Bearing in mind this criterion, it can be argued that perceiving Social Democracy as a working class ideology before 1980 should be cautiously read throughout its history.

In terms of its appeal to the classes, it is difficult to argue that Social Democracy was a working class ideology even within its *formation period*. Similar difficulty arises when its objectives are taken into account as well. That is to say that, in terms of its objectives or values, it is difficult to argue that Social Democracy was a working class ideology even in the formation years. This is firstly because Social Democracy, unlike Marxism, did not aim at bringing workers as a class into power only. After attaining universal suffrage, this became clearer. R. MacDonald, who was the first Labour PM in Britain in 1931, quoting from Pearce, believed that in the office Labour had to act “in the interest of the

whole nation, even to the extent of taking actions unpopular with its traditional voters” (Pearce 1994: 11).

Similarly, the British social democrats did not aim at bringing the working class into power by the nationalization policy, which was implemented as public corporations. The corporations would be run by their boards. The significant point here is that neither the TUC nor the BLP advocated the appointment of a trade union representative to the boards, because it would mean the promotion of the sectional interest of the working class. Weiner argued that the 1933 memorandum of the TUC “warned against trade union participation in management, emphasizing the essentially professional nature of management in modern industry”. It was perceived that appointing professional managers to the boards would be “the best safeguard of workers’ interests” (Weiner 1960: 52). Besides, according to Weiner, both the TUC and the BLP reached an agreement in 1945 “that the two Movements desire public control of industry rather than workers’ control as such” (Weiner 1960: 52-53). These are significant findings allowing us to argue that in terms of its objectives Social Democracy was not a working class ideology. This characteristic would become clearer after WWII in its governing years.

The ideological stance of Social Democracy in its governing years, as argued in the Second Chapter as well, was the disclosure of its reformist standpoint both in the political and economic spheres. It was Keynesian economics, including full employment and welfare state. Social democratic parties in these years tried to fulfill their value of social justice by sustaining high economic growth through controlling the market economy. It is difficult to argue that their goal was governing both economy and society in the name (of interest) of the working class. Workers’ interests were taken into account through ‘social democratic corporatism’, that is, that workers represented by the trade unions, took part in the formation of social and economic policies along with capitalists and government.

Furthermore, the welfare state, which was one of the significant goals of the social democratic parties, was not merely the objective of the working class. It rather appeals to such a broad range of social groups, such as pensioners, consumers, widows, young people, workers as individuals and members of the

middle classes. As argued by Przeworski (1980) as well, workers as individuals however benefit from the social provisions of the welfare state, rather than as a class.

Such a social base of Social Democracy or of social democratic parties does not exclude workers, but workers as individuals remained a significant part of their electoral base, although the proportion of middle classes voting for the parties expanded in the governing period. Long before the governing period, such an expansion had already been raised by social democrats, such as Bernstein. That is to say that, as asserted by Przeworski (1980) as well, the examination of Social Democracy in the course of its history presents that appealing to the classes other than the working class is neither a phenomenon of the *adoption years* (from 1980 to the present times) nor even that of the governing years, but that debate first and foremost began in its formation years.

Writing in the late 1890s, Bernstein furthermore cited that the number of workers “who show by their actions a significant active interest in their own emancipation was 900,000 and this made only 40 % of the votes gained by the German social democrats”. There was, on the other hand, “5.5 million votes cast for non-socialist candidates”, which he reckoned were “class-conscious opponents of Social Democracy” (Bernstein 1993: 108). Therefore, he argued that Social Democracy must appeal to peasantry. This quotation from Bernstein presents that the social base of Social Democracy in the formation years was not solely the working class, but it was able to seek support from other social classes as well.

Bernstein’s first reason for seeking to gain the support of peasants was that living standards of great majority of peasants is similar to that of the working class. Secondly, it is peasants, according to Bernstein, those who would “decide the issue between capitalist and socialist parties”. If Social Democracy limited itself to the working classes, he said, it would be no more than “a workers’ party in the sense of being merely the political wing of the trade union movement”. He thus, claims that Social Democracy “must consider how to interest at least a large proportion of the peasants in the victory of its candidates” (Bernstein 1993: 172-173).

Pearce cites similar debates within the BLP. He says that, after WWII, while Bevan opposed Labour's appeal to middle-classes, Herbert Morrison asserted that the BLP "would only be re-elected if it won a proportion of middle-class votes" (Pearce 1994: 25).

Padget and Paterson similarly argue that social democratic parties "had sought support from social groups outside the working class". This tendency, they say, "had been visible... almost from their inception". Despite this appeal in their early years however, "they had continued to project an image of themselves as working-class parties". They assert that, in the 1950s, social democratic parties furthered their attempt to expand their social base by declaring themselves as "catch-all or people's parties" (Padget and Paterson 1991: 21).

Przeworski, on the other hand, claimed that "the strategy of appealing to a heterogeneous class base" by social democratic parties is not a recent development. He said that neither "German *Mittelklasse* Strategy" was new in the 1950, nor was its architect Kurt Schumacher. Seeing the strategy of appealing to heterogeneous class base as a phenomenon of the 1950s "is simply inaccurate". This is because, when social democrats had thought that electoral victory is possible, they "sought beyond the working class". Since then, social democrats "have continued to go back and forth between a search for allies and the emphasis on the working class" (Przeworski 1980: 40).

Przeworski argued that the choices of participating, of seeking "supra-class alliances", and of struggling "for reforms" by social democrats are interconnected. When Social Democracy as a movement or as a process chose to "participate in bourgeois institutions", such as elections, it consequently "must seek support for socialist transformation beyond the working class and must struggle for all improvements that are possible in the short run without regard for ultimate consequences" (Przeworski 1980: 28). The choice was made by achieving universal suffrage (Przeworski 1980: 30).

Jean Jaures, quoting from Przeworski, argued that "the triumph of socialism will not be a break with the French Revolution, but the fulfillment of the French Revolution in new economic conditions". Przeworski said that, with Bernstein, democracy became for social democrats "the notion of extending the

democratic principle from the political to the social, in effect principally economic, realm". Representative democracy from then on was both the method "and the goal" for Social Democracy. It would be "the political form of the future socialist society" (Przeworski 1980: 31).

Consequently, Przeworski contended, the choice turned to be "a party homogenous in its class appeal", which would result in "perpetual electoral defeats" or a party heterogeneous in its class appeal, and in turn, "diluting its class character" (Przeworski 1980: 39). In short, according to Przeworski, Social Democracy's appeal to the classes other than the working class began by its choice to participate representative democracy via elections. It can be claimed that such an approach however, limits the development of Social Democracy to electoral politics. More significantly, Przeworski's argument neglects the reformism of Social Democracy in its formation years. In other words, the approach perceives Social Democracy as it stood for the revolution before. This perception of Social Democracy was criticized in the Second Chapter on the developmental trends of Social Democracy.

There however remains a question regarding the organic relation between social democratic parties and trade unions or the working class. Padget and Paterson argue that in northern countries, the inception of the parties and the establishment of trade unions were as "Siamese twins of the Labour movement". While the parties were "to carry on politics in the state", trade unions "conducted politics in society" (Padget and Paterson 1991: 177). The organic relation between the parties and trade unions has been the strongest in Scandinavian countries, especially in Sweden (Padget and Paterson 1991: 179). In Britain, on the other hand, the relation has been a formal affiliation. By way of the affiliation, the British unions "are represented at every level of the party" (Padget and Paterson 1991: 182). Similar development however, was not occurred in southern European countries where "Social Democracy had to compete with anarcho-syndicalism, revolutionary socialism, and after First World War, communism, gaining only a weak foothold in the trade union movement" (Padget and Paterson 1991: 178).

Perceiving Social Democracy as a working class ideology fails to explain its state in southern European countries, such as Spain, Portugal and Greece. In

these countries, there were neither a working class in similar strength to that in northern Europe, nor were there affiliation or organic relations between the social democratic parties and the trade unions. The trade union movement has been fragmented, and the support for the parties has been comparatively very low. They however were able to come into power despite the absence of such strong trade union movement or support for the parties.

Przeworski's argument is quite explanatory for the elaboration of the relations between social democratic parties and trade unions or the working class. He asserted that the cause of the relationship was "more immediate and more practical than those that could be found in Marx's theory of history" (Przeworski 1980: 37). The argument can be inferred as that the relation between Social Democracy and the working class was formed through the objectives of Social Democracy, such as freedom, solidarity and equality (social justice). It was workers who urgently needed the attainment of the values, and in turn, they advocated social democratic parties. The values however, did not merely address the concerns of the working class, but those of the other lower and middle classes.

The questions arisen are, if Social Democracy has not been a working class ideology for so long time, how then can the parties gain the support of workers? Or, how can the relation between the parties and the working class be explained? Przeworski's argument is quite explanatory for both questions. He argued that "social democratic parties oriented towards 'the people' continue to be the party of workers as individuals". That is to say, according to Przeworski, that the parties ceased to be the organization of workers as a class which disciplines individuals in their competition with each other by posing them against other classes" (Przeworski 1980: 43). The social provisions, such as pensions, minimal wages, family allowances, free education and health, are those "which workers as individuals share with others who receive low income, who purchase consumer products or who travel to work". The provisions, he said, "are not the interests of workers as a class but of the poor, of consumers, of commuters, etc" (Przeworski 1980: 42-43).

This standpoint of Social Democracy, according to Przeworski, does not imply that it "no longer represent workers", but rather it "continues to represent

these interests which workers as individuals share with other people” (Przeworski 1980: 42-43). It can therefore be claimed, that the relation between Social Democracy and the working class has been the treatment of workers as individuals rather than as a class. This statement however, does not exclude its acceptance of the class structure of the capitalist society. The capitalist society is composed of the conflicting classes, and Social Democracy struggles for reforms in favor of workers as individuals.

Przeworski’s argument, it can be argued, contributes to the elaboration of the successes of Social Democracy, either in the 1980s in southern Europe and Australia or in the mid-1990s in northern Europe. As argued in the Second Chapter, since the late 1960s, the change of the social structure in the developed countries cause the decline of industrial workers, and in turn, the strength of trade unions. Despite this change, social democratic parties, such as the BLP and SPD, have been able to come into power. The BLP has won three consecutive elections for the first time in its history, while the SPD has won two consecutive elections, and in the third one it has been able to become coalition partner. These successes can be inferred as the continuity within the social base of Social Democracy, such as workers as individuals, pensioners, widows and middle classes.

Such a conception of the social base of Social Democracy, it can be argued, should be taken into account through the analysis of its practicability within the context of globalization. Such a social base has been a significant cause that prevents social democratic parties moving to the viewpoint of Neo-Liberalism. In other words, not its relation with the working class, but its social base mentioned above prevents it moving further to the center. Social Democracy has to respond to the concerns of the workers as individuals, of consumers, of petty bourgeoisie, of pensioners and of the young people. As to be demonstrated in the Sixth Chapter on the social democratic economics and full employment, social democratic parties, such as the BLP, had had to cut social expenditure in times of crisis, but they then raised the expenditure. As analyzed in the Seventh Chapter, during its most criticized governments between 1998 and 2005 the BLP has contributed to the expansion of the welfare state through increasing the expenditures of health care and of education. Welfare provisions are the concerns of the social base of social

democratic parties and even within the context of globalization, the BLP has tried to respond to the concerns, which workers as individuals shared with other classes or social groups.

It can therefore be concluded that, in terms of its social base or of its relations with the working class, Social Democracy has not experienced discontinuity after 1980. Unlike the misunderstanding, its appeal to a heterogeneous class base began through its objectives and values right in its formation years. Furthermore, this issue had been almost completed in its governing years long before its adoption years that are after 1980. In terms of its social base accusing Social Democracy as experienced rupture in the 1990s is inconvenient. Another misconception concerning Social Democracy, which has been presented as a sign of discontinuity within its tradition after 1980, is its approach to the individual.

#### **4.7. The Place of the Individual Within the Tradition of Social Democracy**

The emphasis on the individual by the advocates of the Third Way has been presented as a demonstration of rupture in the social democratic tradition (the move of Social Democracy to Neo-Liberalism). Such an emphasis has been considered as necessary by the advocates, such as Giddens. He claims that ‘classical’ Social Democracy was ‘collectivist’. Giddens says that “collectivism became one of the most prominent traits distinguishing social democracy from conservatism, which ideologically placed a much stronger emphasis upon ‘the individual’” (Giddens 2000: 34). He therefore praises the Third Way’s emphasis on the individual. The individualism of the Third Way, for him, means more democratization. He asserts that “the new individualism goes hand in hand with pressures towards greater democratization. All of us have to live in a more open and reflective manner than previous generations” (Giddens 2000: 37).

In terms of the responsibility of the individual on the other hand, Giddens contends that although the ‘classical’ Social Democracy involved the idea of responsibility, it “was largely dormant,” because of its submergence “within the concept of collective provision”. He therefore, says that there should be sought “a new balance between individual and collective responsibilities”. This is because

“social cohesions cannot be guaranteed by the top-down action of the state or by appeal to tradition” (Giddens 2003: 37).

The contention of Giddens, it can be argued, does not envisage the abolition of the responsibilities of the state to their citizens. He argues that ‘old style’ Social Democracy treated “rights as unconditional claims”. For him, the expansion of individualism would be the “expansion of individual obligations”. As an example for this, he says “unemployment benefits... should carry the obligation to look actively for work”. That is to say, that the welfare system should be reconfigured as not discouraging “active search” for work (Giddens 200: 65-66).

Similarly, Blair and Schroeder argue for the reconfiguration of the welfare state. The expansion of personal responsibility takes a significant place within the reconfiguration. This is because, they state, the demand for “high-quality public services and solidarity for all who need help” should also bear in mind “fairness toward those who pay for” them. They assert that their “objective is the widening of equality of opportunity, regardless of age, race, or disability, to fight exclusion and ensure equality between men and women”. Unless this reconfiguration would not be achieved, “the imperatives of social justice” would not be attained by merely “distribution of cash transfers” (Blair and Schroeder 2000:62-63). Against such criticisms of ‘old’ Social Democracy, a social democratic conception of the individual can be demonstrated through the examination of its developmental trends.

Against considering the emphasis on the responsibility of the individual as a move to the New Right, in the light of the examination of the developmental trends of Social Democracy, it can be argued that, like its relations with the working class, the social democratic perspective on the individual (e.g. society and collectivism) has been misunderstood. Similar emphasis on the responsibilities of the individual raised by the advocates of the Third Way can be demonstrated within the social democratic tradition right from its inception. For this case, Sassoon’s argument is an explicit example. He argues that “socialists were far more consistent defenders of individual democratic rights”. Social democracy has tried to establish an order that treats all citizens equal. It has been socialists and social democrats who struggled for universal suffrage, universal human rights and

equality of all before laws. According to Sassoon, “the extension of democracy advocated by socialists was based not on class but on individualism... Those who, at the turn of the century, defended a class conception of democracy were the (middle-class) liberal and conservative parties in Europe” (Sassoon 2000:57-58).

Since the conception of the individual has been significant for Liberalism, Bernstein’s ideas regarding the relationship between ‘Socialism’ and Liberalism are quite interesting and disclosing for the debates concerning the approach of Social Democracy to the individual. Bernstein first and foremost argued that “with respect to liberalism as a historical movement, socialism is its legitimate heir, not only chronologically, but also intellectually” (Bernstein 1993: 147). According to Bernstein, “Socialism will not create new bondage of any kind whatever” for individuals. The freedom of individual would be achieved by freeing them “from any economic compulsion in his actions and choice of action”. He therefore asserted that, “in this sense, one might call socialism ‘organized Liberalism’” (Bernstein 1993: 150).

Bernstein furthermore argued, that “there is no liberal thought that is not just also part of the intellectual equipment of socialism”. Such a heritage, for him, even includes “the principle of the economic responsibility of the individual for himself”. Like the Third Way’s “no rights without responsibility”, Bernstein asserted that “there is no freedom without responsibility” (Bernstein 1993: 148-149). It can be argued that Bernstein at this point, refutes the accusations directed towards Social Democracy as its move to the position of the New Right.

It can therefore be argued, that a conception of the individual can be demonstrated as a central value within the theory of Bernstein. Regarding the responsibility of the individual for his/her own social welfare, Bernstein did not argue that the individual should be “completely relieved of any personal responsibility for their own welfare”. ‘Socialism’, according to Bernstein, Tudor argues, “entailed extending the individual’s control over his own circumstances, and this meant ‘the implementation of cooperation across the board’” (Tudor 1993: xx-xxi).

Bernstein’s conception of liberty presents a significant remark for the social democratic conception of the individual as well. He said that

Whenever an economic demand in the socialist programme was to be met in a manner, or under circumstances, which appeared seriously to endanger the development of freedom, Social Democracy has never shied away from opposing it. For Social Democracy, the defense of civil liberty has always taken precedence over the fulfillment of any economic postulate (Bernstein 1993: 147).

Since liberty is a significant part of the concept of the individual, which has been raised as antithetic to equality, the emphasis on it can be conceived as the disclosure of the strong existence of the individual within the theory of Bernstein.

It should however be mentioned, that the social democratic perspective on liberty is different from that of liberals. Liberty, according to Tawney who wrote on the equalitarian politics in the 1930s, does not merely mean the ability to resist the state, but rather it means “the ability to act” (Tawney 1971: 165). This entails for him “the extension of liberty from the political to the economic sphere”. Such an extension will render “the traditional antitheses between liberty and equality” absolute (Tawney 1971: 167-168). Such a development would not mean, according to Tawney, that “all men perform identical functions or wield the same degree of power, but that all men are equally protected against the abuse of power, and equally entitled to insist that power shall be used, not for personal ends, but for the general advantage” (Tawney 1971: 167-168). In the light of his discussion of the relationship between liberty and equality, whether they are antithetic or not, it is difficult to argue that the individual was not taken into account (Tawney 1971: 164-168).

The social democratic conception of the individual can be demarcated through the critique of the liberal conception of equal opportunity by early social democrats. Writing in the 1930s, Tawney criticized the conception of the equal opportunity of liberals, although he considered the concept as a very significant development. Through the condemnation of feudalism, for him, the liberal concept merely “rested on legal privileges”, but it “had not attacked all forms of inequality” (Tawney 1971: 101-102). The concept of equal opportunity, according to Tawney, should include “a large measure of equality of circumstance”. Unless the measures of equality would not be provided, “the ability cannot find its way to its true vocation”. The measures would provide the community the diversity, as

well as the unity that it needs (Tawney 1971: 107). This idea of Tawney, it can be argued, demonstrates the belief in the free development of the individual within a community aimed at providing solidarity through social provisions.

Tawney's understanding of 'Socialism' does not cause the neglect of the individual against community, in which they live. He stated that one of the fundamental goals of 'Socialism' "is the dignity of man". According to Tawney,

Socialism accepts... the principles, which are the corner-stones of democracy, that authority, to justify its title, accountable to the public; and that differences of character and capacity between human beings, however important on their own plane, are of minor significance compared with the capital fact of their common humanity " (Tawney 1971: 196-197).

The quotation, it can be argued, presents that there cannot be found arguments within Social Democracy concerning its assimilation of the individual within community. But rather by collective social provisions, it aims to contribute to the development of the individual.

In the light of the examination of the theories of early social democrats, such as Bernstein and Tawney, it can be argued that their theories refute the accusations directed to Social Democracy in the case of the Third Way concerning the emphasis on the individual. Besides, their theories verify the argument that Social Democracy has not been a working class ideology, but it is an ideology of workers as individuals. Their theories considering Social Democracy as the heir of Liberalism is furthermore in consistency with this thesis. The posture of Social Democracy in its governing years would be no more than the elaboration of these approaches of the formation years. In other words, the policies of social democratic parties, such as the BLP and SPD, were not the 'revision' of its stance of the formation years, but were its elaboration through their implementation in the governing years. The examination of the election manifestos of the BLP and the programs of the SPD will further demonstrate the shortages of the accusations.

The social democratic conception of the individual within the social democratic tradition can be demonstrated by analyzing the reasons it raised for the social provisions, such as education and health. In the 1945 election manifesto of the BLP, it was said that the Labourists stood for "an educational system that will

give every boy and girl a chance to develop the best that is in them” (BLP 1945 Election Manifesto 2000: 52-53). Similarly, it was stated that “above all, let us remember that the great purpose of education is to give us individual citizens capable of thinking for themselves” (BLP 1945 Election Manifesto 2000: 58).

The social democratic conception of the individual can be presented through the BLP’s approach to leisure time as well. In the 1959 election manifesto, it was asserted that “as our plan for expansion develops, people will be increasingly able to choose between more money and more leisure... How leisure is spent is a matter for the individual. Governments should not interfere in it either” (BLP 1959 Election Manifesto 2000: 94). It was argued that their approach to leisure time “is based on the Socialist belief in the equal value of every human being... which inspired the pioneers of Socialism, and still inspires the Labour Party, in the struggle for social justice and human rights” (BLP 1959 Election Manifesto 2000: 101). Although unlike Liberalism ‘classical’ Social Democracy or the BLP had not emphasized on the concept of the individual him/herself, there can be found significant arguments those did not neglect the individual against society. The quotes from the election manifestos of the Labour Party demonstrate that it assigned a significant place to the individual.

The existence of the individual was apparent even within the objectives of ‘Socialism’. In the 1950 manifesto, it was asserted that the objectives of “economic security and freedom from the enslaving material bonds of capitalism” are to provide “means to the greater end – the evolution of a people more kindly, intelligent, free, co-operative, enterprising and rich in culture. They are means to the greater end of the full and free development of every individual person” (BLP 1950 Election Manifesto 2000: 63).

The existence of individual rights before laws is present within Social Democracy as well. Equality before laws includes minority and gender issues. In the 1970 election manifesto, it was said that the labourists “believe that all people are entitled to be treated as equals: that women should have the same opportunities and rewards as men” (BLP 1970 Election Manifesto 2000: 156). Such a conception of the individual is apparent within the programs of the German social democrats as well.

In the *Bad Godesberg* Program of the SPD, it was said that state should provide the conditions in which individuals would develop their free personality and their social responsibility. Basic rights should not merely be limited to the political sphere, protecting freedom against state, but constituting societal rights is the basis of the state. As a welfare state, the state should provide the conditions to every human being for their self development within their responsibilities (*Bad Godesberg* Program in Kavukçuoğlu 1998: 320). According to the *Bad Godesberg*, ‘socialists’ aimed at a society in which every human being would develop their personality within freedom and then join the political, economical, and cultural affairs of society (*Bad Godesberg* Program in Kavukçuoğlu 1998: 317).

The goal of social policy, said in the *Bad Godesberg* Program, is to provide basic conditions to the members of society for their free development and deciding on their own life (responsibility) (*Bad Godesberg* Program in Kavukçuoğlu 1998: 327). Education system should ensure the conditions that provide individuals to develop their skills and interests without any difficulty (*Bad Godesberg* Program in Kavukçuoğlu 1998: 330).

Regarding the viewpoint of Social Democracy in its governing period, Padget and Paterson argue, “working class socialism in the immediate postwar years was the ideology of the welfare or social citizenship state”. This development “represented the extension of the liberal doctrine of political equality into social and economic spheres” (Padget and Paterson 1991: 18). As mentioned above, Tawney clearly argued for such extension in the 1930s. Padget and Paterson consider the development as “equalization between individuals rather than between classes”. In this sense, they assert that the approach to equality, inferred from the BLP’s 1960 program, emphasized “cultural and educational opportunity as the basis of individual opportunity (Padget and Paterson 1991: 25).

In summary, it can be claimed that there has existed a concept of the individual within the social democratic tradition right from its inception. The social democratic conception of the individual can be derived from the approaches of social democrats, such as Bernstein and Tawney, to the concept of liberty and Liberalism, as well as from the reasons rose for social provisions. Such a

conception of the individual is consistent with the conception of its social base as well. As a result, such an existence of the individual within the social democratic tradition demonstrates the refutation of the accusations directed towards Social Democracy, including the understanding of 'old' Social Democracy of the advocates of the Third Way, because they have carried their analysis through these misconceptions concerning Social Democracy. These findings furthermore present that, in terms of its perspective on the individual, it has not experienced rupture within its tradition after 1980.

#### **4.8. Conclusion**

In this chapter, the accusations made against Social Democracy in the case of the Third Way have been examined. I have argued that the analysis of Social Democracy by its criticisms, including that of the advocates of the Third Way, has been carried through misunderstandings concerning it, such as that it aimed at abolishing the market economy, that it was a working class ideology, and that it neglected the individual. Their analysis of Social Democracy therefore, concludes that it has experienced discontinuity within its tradition after 1980.

In terms of state-market relations, I have argued that the criticisms misconceive Social Democracy in its governing period. The examination of the ideological posture of Social Democracy in the period demonstrated that social democratic parties neither attempted to eliminate the private means of production, nor that of the market economy. They rather tried to contribute to the sustaining of the market, as well as to the operation of 'real' competition within the market. The examination of either nationalization in the following chapter or social democratic economic in the Sixth Chapter will allow us to further elaborate the social democratic perspective on the state-market relations.

The examination of the relations between Social Democracy and the working class demonstrated that there was subsisted a misconception concerning Social Democracy as well. I have argued that Social Democracy has not been a working class ideology, and its relation with workers, as said by Przeworski as well, has been 'workers as individuals rather than as a class'. Such a conception has been demonstrative in its objectives. Furthermore, Social Democracy's appeal

to a heterogeneous class base started before WWII, and settled in the postwar period. It can therefore be claimed that, Social Democracy has not experienced rupture within its social base or within its relations with the working class that has been the workers as individuals.

In terms of the social democratic perspective on the individual, I have claimed that there has been a similar misunderstanding concerning Social Democracy. The examination of the developmental trends of Social Democracy showed that there has subsisted a conception of the individual within both the social democratic theory and practice. Social democrats have argued that the social provisions would contribute to the free development of the individual. Against the claims of the advocates of the Third Way, it was demonstrated that ‘classical’ Social Democracy did not neglect the individual against the community. The liberty and responsibility of the individual were also present, even within the theories of early social democrats, such as Bernstein and Tawney. Therefore, I have stated that the accusations, as well as the advocates of the Third Way misunderstand Social Democracy before 1980. The misunderstandings lead them to argue that Social Democracy has experienced discontinuities within its perspective on the state-market relations, its relations with the working class, and its perspective on the individual.

In terms of these categories, I have therefore concluded that there have been continuities within the tradition of Social Democracy through the development of the Third Way and *Die Neue Mitte*. Therefore, considering the Third Way as a mere reflection of Thatcherism is an oversimplification. Conceiving it as a third way between ‘classical’ Social democracy and neo-liberalism is irrelevant as well.

The examination of the social democratic perspective on nationalization in the following chapter will further verify the continuities within the social democratic tradition. The examination will demonstrate that the criticisms misunderstood the Social Democracy of the governing years. The examination will furthermore explicitly show that Social Democracy changes its policies in accordance with the context under the guidance of its principles, such as progressiveness and especially social justice. Demonstrating the verification of this

argument will allow us either to assert that the analysis of the formation of Social Democracy through its policies is insufficient or to conclude that its workability will continue within the context of globalization.

## **CHAPTER FIVE**

### **NATIONALIZATION**

#### **WITHIN THE TRADITION OF SOCIAL DEMOCRACY**

In the previous chapter, I have argued that the accusations directed towards Social Democracy in the case of the Third Way have based on misconceptions concerning the social democratic perspective on the state-market relations, its relations with the working class, and its approach of the individual. Such misconceptions have caused them to conclude that Social Democracy has experienced discontinuity after 1980. As such, the perspective of Social Democracy on nationalization (public corporations) has been misunderstood as well. The examination of the social democratic standing on nationalization through the three developmental periods in this chapter, will also demonstrate the shortage of analysis of the viability of Social Democracy within the context of globalization merely through its policies, because it changes its policies in accordance with the context under the guidance of its principles, such as social justice.

#### **5.1. Introduction**

The approach of social democratic parties, such as the British Labour Party (BLP) and the Social Democratic Party of Germany (SPD), to nationalization, since the early 1980s, has been considered as an indication of rupture by their criticisms. This argument has been based on the assumption that nationalization had been a constituting element of Social Democracy until the 1980s. The examination of the social democratic tradition concerning nationalization throughout its three developmental periods, however, raises questions regarding its place within the tradition.

In this chapter, the place of nationalization within the tradition of Social Democracy will be comparatively examined. The examination starts with the analysis of the development of nationalization as a social democratic policy. Then, the examination focuses on its place throughout the governing years of Social Democracy. Against accusations of having experienced discontinuity concerning nationalization within its tradition, it will be claimed that the study of Social Democracy through its three periods demonstrates that it had already dismantled the nationalization policy through its adoption of Keynesian economics in its *governing period*. The cause of the change of nationalization policy with Keynesian economics was the change of the context in the postwar period against nationalization. As mentioned below, social democrats came to the conclusion that, Keynesian economics would serve their principles, such as social justice, better than the nationalization policy.

The elaboration of the place of nationalization within Social Democracy firstly should find its reasons: whether it was raised just for the sake of public property (as an end itself), or as a policy means for the materialization of the social democratic values? The analysis of the justifications raised for nationalization, as well as those of the industries nationalized, will contribute to the elaboration of the social democratic point of view on nationalization. For the elaboration, the impacts of the context will be studied as well.

Since an ideology or its concepts should not be studied without firstly considering the context within which they have developed, the examination of the nationalization policy will take into account the contexts before and after the Second World War (WWII). The question will be: what had been the impacts of the contexts, either on its rise, or on its decline? More crucially, in terms of continuity and change debates through comparing the concepts of Social Democracy in the governing (second) period with those in the adoption (third) period, one of the main the questions asked in this study is what was the social democratic perspective on nationalization in its governing period? The examination of the nationalization policy

of Social Democracy through these questions throughout its history will be the theme of this chapter.

There are two differing contexts observed, one before and the other after WWII, regarding the rise and decline of nationalization as a policy. In the period before WWII, the *formation period* of Social Democracy, the context favored the rise of nationalization as a policy objective, while the one that occurred after WWII caused its decline. The experience of the British politics presents a relatively good example of both the rise and decline of nationalization as a policy issue. Each context will be analyzed within each period: formation and governing periods. Before going into the study of the formation period, a point regarding the argument that considers nationalization as a defining characteristic of Social Democracy is challenged, to demonstrate the fact that nationalization should not be taken into examination of continuities and changes within the social democratic tradition after 1980.

It should be firstly mentioned, that nationalization cannot be taken as a general policy for Social Democracy, which is to be defined through similar policies/values of social democratic parties<sup>1</sup> as well as through theories of social democrats. The examination demonstrates that the approaches of the political parties to nationalization differ. The difference raises a question concerning its place within Social Democracy. That is to say that, although it was a very significant policy for some social democratic parties, such as the BLP, the French Socialist Party<sup>2</sup>, and the Austrian Social Democratic Party (SPÖ), it is difficult to consider nationalization as a defining

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<sup>1</sup> Despite very strong organizational power of the SAP, there has not been any nationalization in Sweden. The term nationalization ('the rights of determination over production') was dropped from the party constitution in 1944. Sassoon argues that "the SAP declared that it did not intend all property to be in state hands or all economic activity to be directed by a central agency". Instead of nationalization the SAP preferred 'the democratization of the economy and planning' (Sassoon 1999:157).

<sup>2</sup> The place of nationalization within the French politics is different from the rest of Europe. The popularity of nationalization with the French people lies not just in its rise by the Left-wing political parties. It was raised during the resistance against the Nazis and the Right-wing political parties, such as the Catholic MRP, and General de Gaulle was in favor of it as well. Nationalization would be used as an instrument for the re-surrection of France (Sassoon 1999:162).

characteristic of Social Democracy. In other words, nationalization is almost unique to the BLP, but even this should be questioned.

The standpoint of the BLP concerning nationalization is particularly significant, while those of the SPD and of the Swedish Social Democratic Party (SAP) have been completely different. It has never received a priority among policies of many social democratic parties, such as the SPD and especially the SAP in the postwar period. Although they have been in government for many years, they have never attempted to nationalize any of the major industries. It can therefore be concluded that, in general studies on Social Democracy, nationalization should be left aside, and merely it can be taken into analysis in exceptional cases, such as Britain.

## **5.2. Formation Period: The Rise of Nationalization as a Policy**

### **5.2.1. Context**

The context favoring nationalization emerged before WWI. Nationalization had come to the agendas of almost all political parties in Britain, although with differing emphasis and objectives up until WWII. The developments in this context contributed to the rise of nationalization can be summarized as follows: the state of the British economy, especially in international markets, ‘the ailing industries’, such as coal mining; the development of new industries, such as broadcasting, transportation and airways, those needed huge capital investment; the fail of *laissez-faire* economics together with positive impacts of state intervention in economies. Due to the context, the opposition against nationalization, especially for some of the industries mentioned above, had almost disappeared. Social Democracy developed its nationalization policy within this context.

It should however be mentioned that, in Britain before WWI, nationalization had not been unique to the British social democrats as a policy, because it was accepted by other ideologies as well. In other words, state intervention and nationalization during this period gradually inhabited conservatives and especially liberals. The effects of the context can be demonstrated through the examination of

favorable atmosphere for either nationalization or state intervention in the economy, especially for the industries such as coal mining, transportation, electricity and gas before WWII. The early nationalizations carried in Britain as mentioned below, before WWII, had been long before the BLP's electoral victory in 1945 (Pearce 1994: 14, 54-55).

The nationalizations carried prior to WWII, were not firstly executed by the British social democrats, but by the liberals and the conservatives. The justifications for them were the inability of the private capital to avoid bankruptcy of the industries, such as coal mining, as well as to provide necessary resources for the industries, such as transportation and airways, or considering such industries as broadcasting, as vital to the nation.

Nationalization, either as an end itself or as a measure for attaining social democratic values, had been a critical issue within British social democracy. The basic intention of social democrats was firstly the monopoly state of some industries and its effects on the society and economy; then controlling the economy and sustaining full employment entered into the justifications for nationalization.

Another cause of the development of nationalization as a social democratic policy lied in the fact that it had not had economic policies for the 'transformation' of Capitalism in favor of its social base. Przeworski (1980) claimed that "until the 1930s, social democrats did not have any kind of economic policy of their own" (Przeworski 1980: 50). This was because, 'socialist' parties in this period "concentrated their efforts on winning suffrage and organizing workers as a class". As such, there was little devotion to "the means by which socialization was to be accomplished" (Przeworski 1980: 47). Through the Great Depression in the 1930s, then social democrats started to develop policies for "administering capitalist economy through Keynes' ideas" (Przeworski 1980: 51). As a result, such a finding concerning nationalization demonstrates the impacts of the context over the change of the policies employed by Social Democracy. There can be drawn from this demonstration two related conclusions: change of policies has been inherent to Social Democracy, and by

changing its policies in accordance with the context of globalization the establishment of Social Democracy will continue.

### **5.2.2. British Social Democracy**

When nationalization started to come into the agenda of the organized labour in Britain, one of the early reasons for it was the destructive impacts of monopolies on social and economic injustice. At this period, it was land that was demanded for nationalization in 1882 (Weiner 1960: 3). Then, minerals and railways were put into the nationalization agenda in 1894 (Weiner 1960: 4). The liberals in this period advocated nationalization, albeit their reason was preserving “liberty in the economic sphere” and protecting it “from the concentration of economic power” (Weiner 1960: 6).

Writing in 1960, Weiner argued that in the period before WWI “nationalization was little more than a propaganda slogan subordinated, forgotten, or revived in the light of other trade union demands” (Weiner 1960: 1), because “the trade union movement was concerned mainly with building its independent political and economic power, and adjusting to profound changes in the industrial and legal environment” (Weiner 1960: 1). It is significant to mention that, according to Weiner, “in its early years, the TUC was indifferent and even hostile to the idea of social ownership” (Weiner 1960: 2).

Through the end of WWI, in terms of nationalization the British organized labour movement moved to the collectivist perspective (Weiner 1960: 10). In this period, the justifications raised for nationalization were the extension of “democratic process into industry”, stabilization of economy, “general improvement in the standard of living and the condition of the workingman”, and “redistribution of income through profit” (Weiner 1960: 11). However, it should be stressed that, as asserted by Weiner, “nationalization was still primarily propagandistic in appeal, vague in concept, and undetailed in its plan of application” (Weiner 1960: 17).

Weiner stated that the state of the British economy after WWI, especially that of coal-mining, which was seen as “essential to national prosperity”, contributed to

government intervention in the economy (Weiner 1960: 29). In this environment, “the policies and programs of British trade unionism evolved,” and the emphasis on nationalization or “collectivized action, concentration and planning” increased. Weiner said that, “all of Britain’s major political parties became increasingly committed to state action, though differences as to degree and emphasis” (Weiner 1960: 31).

Similarly, Callaghan does not consider the adoption of nationalization as a basic policy objective as the conversion of the organized labour to doctrinaire ‘socialistic’ posture. Rather it was, for him, “S. Webb’s carefully chosen words made Claus Four appeal to socialist sentiment in the party” in a special context (Callaghan 1989: 26).

Nationalization, as a policy objective in Britain, was not firstly employed by the Labour governments of 1945-1951. The implementation of nationalization had begun long before the start of WWII. The Sankey Commission of March 1919 proposed that the coal-mining industry required reorganization by nationalization or by other means (Weiner 1960: 23-24). However, it was the British organized labour that was comparatively more enthusiastic for nationalization.

The employment of nationalization in Britain started with the establishment of public corporations. The British Broadcasting Company (BBC) was founded in 1927, while the London Passenger Transport Board was established in 1933 and the British Overseas Airways Corporation (BOAC) in 1931 (Weiner 1960: 38-42; Sassoon 1999: 152). The development of these industries needed public finance for a country having an economy with difficulties in international market. That is to say that, without public support, it was difficult for private companies to develop these industries, which was clearly realized in the case of the BOAC.

Governments had tried to take an active role through “exerting pressure and offering incentives to private owners to effect amalgamation, in preference to one of assuming direct control and ownership of the industry”, but this approach failed, and in turn, the nationalization of ‘coal royalties’ was employed in 1938 (Weiner 1960: 43).

Sassoon argues that the objectives of the nationalizations proposed prior to the 1945 general elections, were practical reasons. The cause of the nationalization of the Bank of England<sup>3</sup> was to ensure full employment. He asserts that “the objective of nationalizing the coal, gas and electricity industries was to make it possible to modernize production, lower charges, prevent waste and increase efficiency” (Sassoon 1999:151-152).

The objective of the nationalization of coal mining industry was not ‘socialist’ either. Its nationalization was required since the 1919’s Sankey Commission. It had been assumed that it could not be modernized by the private sector. It was “backward, grossly inefficient, over-manned and plagued by bad industrial relations”. Weiner furthermore argued, that “the industry was working below its capacity, yielding less than a fair return to labor and to the capital invested in it” (Weiner 1960: 43). The railways, on the other hand, were in similar conditions. It had required re-equipment and the private sector had been far from performing the modernization of the railways. Moreover, it was already dependent on public subsidies (Sassoon 1999: 152-153; Weiner 1960: 43).

The nationalization of electricity and gas were put into the agenda by the McGowan Committee in 1936 and by the Heyworth Committee in 1944. Central Electricity Board was established in 1926, and its first chairman was Sir Andrew Rae Duncan, who was a prominent figure in the business community and in the public sector (Weiner 1960: 38). Another fact for the electricity was that the 60 per cent of electricity in Britain had already been supplied by the municipalities before its nationalization (Sassoon 1999:153).

It should also be mentioned that the content of ‘socialization’, which has been the SPD’s objective for bringing control over the private sector, was not among the

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<sup>3</sup> Sassoon argues that “Labour blueprints in the 1930s had emphasized the strategic importance of controlling the financial sector and establishing a National Investment Board. Bankers and financiers always had a special role in the demonology of the Labour movement. Consequently, one might have expected that the acquisition of the Bank of England would be used by the Labour government to control the City and the rest of the banking system. But the Bank was never employed to discipline, control, or dominate the banks” (Sassoon 1999:152).

objectives of the BLP. That is to say, that the BLP neglected the workers' control or industrial democracy (Sassoon 1999:152). Neither the TUC nor the BLP raised the representation of workers in the management of the nationalized industries (Weiner 1960: 52).

To sum up, it can be argued that, although the doctrinaire reasons raised for nationalization by the British social democrats in the *formation period*, the effects of the context favoring it was significant. At that time they did not have economic policies, and nationalization turned to be a policy option for either contributing to the economy or raising the standards of workingman. It can therefore, be inferred that nationalization was a policy mean, rather than an end in itself, for the most part of the organized labour. This would become clearer in the postwar period when the context favoring nationalization turned upside down: against *laissez-faire* economics, social democrats found an economic policy option, Keynesian economics.

### **5.2.3. Germany: No Nationalization but Socialization**

The examination of the approach of the German social democrats to nationalization is significant in terms of the analysis of continuities and changes or ruptures within the tradition of Social Democracy. The perspective of German social democracy on nationalization is quite different from that of the British one. German social democracy, as mentioned above, has employed the '*socialization*' term, not nationalization and more importantly their contents are different, although this does not mean that there was not any support for state ownership within the German Left.

'Socialization' does not entail the change of the owner of the means of production from private to public. Through 'socialization', the German social democrats wanted the working class to take part in the control over private means of production. In the light of the examination of the development of the SPD, therefore, it is difficult to consider nationalization, either as one of its significant policy objectives or as an end itself. There was a strong opposition against state ownership of production and distribution among German social democrats, such as the one stated by Eduard Bernstein.

Although Bernstein was not against “socio-political expropriation of large and small capitalist heads of production” (Bernstein 1993: 42-43), he stated that “an immediate takeover of the total production and distribution of products by the state is out of the question” (Bernstein 1993: 109). He also argued, that “the transformation of capitalist enterprises into a viable socialist system” may cause “their immediate destruction” (Bernstein 1993: 119).

Tudor however argues that, according to Bernstein,

The state could regulate private enterprises but it should not own them. And it should not own them because it could not run them – or, at least, nothing like all of them. Loose talk about expropriating the expropriators was therefore dangerous nonsense. A socialist economy would inevitably, include a large and thriving private sector” (Tudor 1993: xx).

Bernstein’s approach can be seen in the early programs of German social democracy.

In the light of the examination of the programs of the SPD, not only nationalization but even socialization did not take priority among the objectives of the SPD in its formation years. During its early years, nationalization was not on its agenda. The terms (‘public property’, nationalization or ‘socialization’) cannot even be found, within the first program, the *Eisenach* Program (1869); but there was the term ‘co-operatives’. Workers, according to the Program, would be organized through co-operatives to get their labor’s fruits (general principles, article 3), and co-operatives should be supported by the state (urgent demands article 10) (*Eisenach* Program in Kavukçuoğlu 1998: 17-20). The *Gotha* Program in 1875 added to the *Eisenach* Program the inspection of mines and factories by workers (*Gotha* Program in Kavukçuoğlu 1998: 23-24). The early form of ‘socialization’ can be seen in the *Erfurt* Program (1891) as ‘the effective participation of workers in the management’ (urgent demands article 5) (*Erfurt* Program in Kavukçuoğlu 1998: 42-45).

The term nationalization appeared within German social democracy after the division of the SPD to the SPD and the USPD after WWI during the Weimar Republic. The term nationalization was employed by the USPD in its action program: private means of production should be changed to public production: with the banking

and insurance sectors, mining and mines, water and electrics, energy resources, iron and steel, transportation and road haulages and other advanced industries, ‘socializations’ should immediately be started. Big lands and forests should immediately be nationalized. By supporting co-operatives through new techniques and finance, the efficiency of all farming enterprises should be maximized. All public health institutions should be socialized (USPD Program in Kavukçuoğlu 1998: 71-72).

However, the SPD’s program adopted in the same period, the *Görlitz* Program (1921), differs from that of the USPD. In the Program it was said that,

Lands, raw material resources and energy resources should be saved from capitalist exploitation and instead be served for communal benefit. The capitalist means of production, private interest organizations, cartels, trusts should be brought under state control. State, *länder* and public enterprises should be developed through democratization by avoiding bureaucracy. Co-operatives, those do not aim profit, should be supported. Economic councils should be organized as comprising economic, political and social agents of workers, civil servants and service sector employees (*Görlitz* Program in Kavukçuoğlu 1998: 85).

The result of the merge between the SPD and the USPD was the *Heidelberg* Program (1925) (*Heidelberg* Program in Kavukçuoğlu 1998: 108-114). It can be said that in terms of the approach of the Program to property relations it was close to that of the SPD.

The decline of nationalization within the priorities of the German ‘socialist’ movement dates back to the early years of Weimar Republic. Both Eley and Lehnert say that through the agreement between the big business and the trade unions on 15 November 1918, the big business accepted the unions’ demand of an eight-hour working day, while the unions dropped nationalization (Eley 1989: 71; Lehnert 1989: 116). Lehnert furthermore, states that the agreement reached between the German organized workers and the capital meant renouncement of “every vision of an expropriation of the expropriators”. Lehnert infers that, although “party and union rhetoric did not relinquish the goal of socialization of the means of production, the practical politics of the Social Democrats in the 1920s can be expressed by the motto, social policy rather than socialization” (Lehnert 1989: 116). James furthermore asserts

that, “instead of using the state to control the industry from above, labour would collaborate with business if this would result in higher wages and improved working conditions” (James 1989:147). This standing would be elaborated in the postwar period.

The German social democrats in this period, according to James, developed the concept of ‘economic democracy’. ‘Economic democracy’ entailed that “control of the enterprise should be built up from below through factory councils and union pressure and not from above through socialization” (James 1989:147). The meeting of the socialization commissions in 1919-1920 produced only very limited plans for state ownership” (James 1989:146).

In the light of the examination of the developmental trends of German social democracy from its inception until WWII, it can therefore be argued that the German social democrats did not stand for nationalization but for socialization. Bernstein was against state ownership of production, and there was not any mention of it in its program in the *formation period*. In the Weimar Republic, this viewpoint concerning socialization was clarified through the agreement reached between the capital and labour. It will not be an exaggeration to argue that nationalization had not been a policy objective for the German social democrats before the context causing its decline in the postwar period. As a result, it can be claimed that the case of German social democracy explicitly presents that nationalization should not be taken as a general policy shared by social democratic parties, and in turn, its analysis through continuities and changes within the social democratic tradition is not appropriate.

### **5.3. The Nationalization Policy in the Governing Period: From Peak to Decline**

#### **5.3.1. Context**

The context favoring the rise of the nationalization policy started to decline, especially after the emergence of Keynesian economics along with the acceptance of the welfare state. In other words, the new context causing the abandonment of the nationalization policy came to surface in the early postwar period. The development of Keynesian

economics contributed to the belief of questioning the necessity of nationalization for the realization of social democratic values (Weiner 1960: 35). These two developments caused liberals and conservatives to leave *laissez-faire* economics, and to employ the social and economic policies similar to those employed by social democrats, as well as to the declining interests of Social Democracy in nationalization.

Since the second half of the 1930s, many of the theories of J. M. Keynes proposed the intervention of the state in the economy had been put into practice. In contrast to the dominant characterization of the beliefs of *laissez-faire* economics, Keynes argued that, without state intervention, the economy could not produce adequate growth rates and full employment (Reglar 1983:411). In and between the world wars, the experiences of successful state intervention in economy had contributed to the development of Social Democracy in the postwar period. For example, the state regulated housing, industrial production, food and clothing supply, and the level of services during WWII in Britain. Such intervention had yielded, not only an economy capable of meeting the demands of a total war, but had also substantially improved the nutritional levels and standards of health of the lower strata of society. As a result of these developments, social democrats started questioning the necessity of nationalization for the social democratic principles.

By the adoption of Keynesianism as social democratic economics, social democrats developed “a full-fledged ideology of the welfare state” (Przeworski 1980: 52). Przeworski argues, that “the successful application of Keynesian instruments was seen as the demonstration that nationalization-full of problems and uncertainties as it proved to be- was not only impossible to achieve in a parliamentary way but was simply unnecessary” (Przeworski 1980: 52).

After WWII, today's developed countries were experiencing the impact of many changes in their economies wrought by wartime planning, rationing and the welfare reforms of the *Beveridge Report*. E. g. in Britain a national health service was introduced along with a comprehensive governmental education system. Such changes

showed how the state intervention in the economy may improve the economic efficiency through low inflation, full employment, and a higher economic growth rate.

The achievement of full employment was significant for dismantling nationalization as a policy objective by Social Democracy in its *governing period*. That is to say, that full employment made social democrats, such as Crosland, optimistic. In the *Future of Socialism*, Crosland (1980) considered the development of the universal suffrage as well as the maintenance of full employment as significant contributions to the increase of the support for reducing inequality and poverty, and in turn, its results on social justice as very important achievements in the capitalist societies (Crosland 1980).

The increasing strength of social democratic parties in parliaments contributed to the decline of nationalization as a social democratic policy as well. Between the two world wars and after WWII, social democratic parties came into power in a previously unanticipated strength. This made social democrats more optimistic about putting their policies into practice through the parliamentary system. With Keynesian economics and welfare state in their minds, some social democrats, the British ‘revisionists’, argued that capitalism in northern countries ‘transformed’ to an unprecedented degree. All these changes led social democrats, such as Crosland, to argue that the ‘transformed’ capitalism in the postwar period was radically different from that of the pre-WWII. Capitalism was no longer seen as the enemy of social justice it once had been (Crosland 1980).

There was another development, according to social democrats, that was perceived as the ‘transformed’ nature of capitalism. It was argued that the “form of business organization” changed (Weiner 1960: 90). The ownership and management of capital was separated. This was conceived as a positive development for the reduction of class conflict between capital and labour, as well as for the improvement of the standards of workers.

The effects of the context in the postwar period were not unique to Social Democracy. Liberalism, Christian Democracy, and Conservatism came to a similar posture with Social Democracy regarding state intervention in the economy. Prior to

the end of WWII, the British public came to the understanding that nationalization of some industries was unavoidable. Similarly, in Germany, Carr argued, “given the newly founded Christian Democratic Union or CDU declared as late as 1947 in the Ahlen Program that the days of unbridled capitalism were over, and that a semi-public economy had come to stay” (Carr 1989: 193-194). The CDU advocated public ownership in its 1947 Ahlen Program (Sassoon 1999: 159). It can therefore be argued that the public property had been the result of the context occurred in and between the wars. The adoption of similar social and economic policies, such as Keynesian economics, including full employment and welfare state by liberals, conservatives, Christian democrats and social democrats, contributed to the decline of the tension between them, and in turn, to dismantling of nationalization.

In summary, the context emerged through the developments occurred in and between world wars resulted in the dismantling of nationalization as a social democratic policy in the postwar period. Keynesian economics presented Social Democracy with policies for controlling the market, and in turn, achieving and maintaining full employment through steering aggregate demand, while the welfare state became an instrument for the realization of its values, such as social justice, fraternity and liberty. These developments contributed to the formation of the economic policies of Social Democracy. In other words, the policies gave social democrats the measures to govern the market economy without changing property relations by nationalization. As a result, social democrats, even the British ones, started to leave aside nationalization right within the governing years. It can therefore be claimed, that nationalization had been a policy objective for Social Democracy, and it was already considered as unnecessary long before the New Right would emerge. The demonstration of the impacts of the context over the change of the social democratic policies in the case of nationalization allows us to argue that the viability of Social Democracy will continue within the context of globalization by changing its policies. This finding can also be rightly inferred that the presentation of such changes as discontinuity within the social democratic tradition by its criticisms will be an oversimplification.

The examination of the tradition of Social Democracy, in the cases of Britain and Germany, will be demonstrative for the impacts of the context on the social democratic point of view on nationalization in the governing period. With the new context, while the British social democrats gradually dismantled the nationalization policy in favor of Keynesian economics and the welfare state, the German social democrats clarified their position concerning socialization in the way of adopting the *Bad Godesberg Program* in 1959.

### **5.3.2. British Social Democracy: Gradual Dismantling of Nationalization**

The nationalization policy had been almost unique to the British case. This argument however requires examination. Did really the BLP want to nationalize the whole means of private production and therefore establish a ‘socialist order’, or did it want merely to nationalize some industries, such as the steel and iron industries, the bank and energy sector? Or were the causes of the nationalizations accomplished by the labour governments in the postwar period the efficiency of the market? There are significant evidences that the nationalization executed after WWII contributed to the efficiency of the market, rather than to the establishment of a ‘socialist order’. The causes of the nationalizations were one side of the argument questioning the assessment of the place of nationalization within British social democracy along with the debates over its necessity raised right after WWII. The study of the developmental trends of British social democracy will present that the nationalization policy had attracted a conflicting debate among the British social democrats right after their governments in the postwar period.

When the Labour Party came to power in 1945, “the atmosphere of post-war reconstruction” was favorable for the implementation of its program, either for the establishment of a welfare state, or for the completing of the nationalizations of particular industries, such as coal mining (Weiner 1960: 78) that had been proposed before the end of WWII. In the context mentioned above, however, there emerged arguments among social democrats against the ‘transformation’ of property relations through nationalization.

In the context arisen after WWII, there emerged “new questions and reservations in the minds of trade unionists” regarding the impacts of nationalization on their demands. Weiner argued that there was disappointment on the anticipations to be achieved by nationalization (Weiner 1960: 82-83). As such, the revolution in Russia equated with ‘complete state ownership’ contributed to the decline of nationalization in labour thinking (Weiner 1960: 83).

The context favoring nationalization, according to Weiner, started to change after WWII (Weiner 1960: 79). Callaghan however contends that, the conversion of labour economists, such as H. Gaitskell, D. Jay and E. Durbin, to the Keynesian mind, started in the late 1930s. For them, ‘socialist’ objectives can be achieved by monetary and fiscal measures (Callaghan 1989: 30-31). In this regard, Weiner said that, although there were not arguments raised for *laissez-faire* economy, “national thinking turned to questions of the limitations of planning in economic affairs” (Weiner 1960: 80-81). In Britain, “the policies of economic leveling began to lose support” even among skilled workers. It was inflation that was regarded as a danger to full employment rather than deflation (Weiner 1960: 82).

The impacts of the context on British social democrats became visible in the early 1950s. Their insistence on nationalization started declining fast after their governments between 1945 and 1951, in which they passed nationalization resolutions from the Parliament. Pearce asserts that there emerged two groups regarding nationalization within the BLP: The first group defined ‘Socialism’ as “essentially an economic doctrine necessitating nationalization” for “collectivism, state control and bureaucratic efficiency”, while the latter group defined ‘Socialism’ “primarily ethical, with the stress on liberty, the brotherhood of man and the moral regeneration of the individual,” and in turn, was against “state collectivism” (Pearce 1994: 8-9).

The latter group, called as ‘revisionists’, was able to take the official standing of the Labour Party. In line with the context occurred after WWII, they were against further nationalizations. The ‘revisionists’ around Hugh Gaitskell, such as C. A. R. Crosland, T. Crossman, and R. Jenkins started attacking nationalization, and soon after, argued for the abandonment of the *Clause Four*. This group stressed that

'Labour's supreme goal was equality and the abolition of the class system', and for the realization of these objectives nationalization had been "merely a mean – and a poor mean at that" (Callaghan 1989: 33).

According to H. Gaitskell, the leader of the BLP in the 1950s, quoting from Weiner (1960), there should be raised specific reasons for further nationalization. He stated that, raising 'Socialism' as a justification for new nationalizations would not convince the public (Weiner 1960: 93). It was believed, as Weiner asserts, that nationalization "contributed to Labour's decisive and third successive election defeat" (Weiner 1960: 95) in the 1955 and 1959 general elections.

After WWII, the 'revisionists' within the BLP strongly questioned the necessity of nationalization for the labour values. Being 'adopted as Labour's ruling discourse' in the second half of the 1950s, the 'revisionists' considered 'Socialism' as an ideology "about values, above all equality and social justice" (Shaw 1996: 51). According to Shaw, Keynesianism significantly contributed to the rise of the 'revisionist' stand in the British organized labour. Without nationalization, it was believed, "steady growth, full employment, and the rise of living standards" can be achieved through controlling demand at a significant level for the purpose. Furthermore, fiscal policies, such as progressive taxation, "the taxation of wealth and unearned income and the expansion of social services", are more "effective method for promoting equality" than nationalization is (Shaw 1996: 52).

For Crosland, quoting from Sassoon (1999), nationalization would only alter ownership. What 'Socialism' needs would then be the control over the means of private ownership of production for "creating a socialist society, establishing social equality, increasing social welfare or eliminating class distinctions". For these aims, nationalization should be considered as a mean, not as an end in itself. He said that "so long as we maintain a substantial private sector, therefore, socialists must logically applaud the accumulation of private profit". What 'socialists' had to do, according to Crosland, was to ensure private profits' canalization to re-investment (Sassoon 1999: 247). If these were to be ensured, there was no need for further nationalization, accordingly. As a result, it can be claimed that the change of

nationalization with Keynesian economics under the guidance of its principles, such as social justice, demonstrates that the analysis of the formation of Social Democracy merely through its policies would be insufficient, because the constituting element has been its values.

According to Crosland, nationalization or centralization could not be considered as synonymous with 'Socialism'. He asserted that the Nazis used these policies as well. If so, Nazi Germany was a negative example of a 'socialist' country. He argued that "similarly, if socialism is defined as economic collectivism or state control of economic life, then Nazi Germany would correctly have been called a socialist country" (Crosland 1980: 66). For social democrats, the aim of controlling the economy is to lead the economy for the benefit of all citizens, not just for the benefit of a few people, as the Nazis did.

The 'revisionist' approach, Sassoon says, became the official Labour policy after the defeat of the BLP in the 1955 general elections. The policies developed prior to the 1959 elections promoted social reform, "combined with a firm intention to preserve and develop a flourishing private sector of the economy". The BLP's documents before the 1959 general elections, such as *Industry and Society* (1957), *Plan For Progress: Labour's Policy for Britain's Economic Expansion* (1958), Sassoon contends, demonstrated "a strong commitment to social reform, combined with a firm intention to preserve and develop a flourishing private sector of the economy" (Sassoon 1999: 257).

These developments can be demonstrated through the analysis of the TUC reports as well. In a report, *Public Control of Industry*, written in 1950, quoting from Weiner (1960), it was stated that "public ownership should not be adopted simply for the sake of public ownership, but only as it is thought to be the best way of doing the job". Then it was said that "there is every indication that public ownership need not always take the form of nationalization of whole industries" (Weiner 1960: 84). In the *Interim Report on Public Ownership* of 1953, according to Weiner, there was no commitment for new major nationalizations, because there was a new economic climate (Weiner 1960: 84). In this period, a trade union leader, C. J. Gaddes (Union of

the Post Office Workers), mentioned that the public did not support “the transfer of further industries into public ownership” (Weiner 1960: 84-85). This posture can be considered as early attempt of the dismantling of the nationalization policy.

The abandonment of the article of the BLP constitution on nationalization, known as *Claus Four*, it is significant to stress, had been first proposed by Hugh Gaitskell, in 1956, which had been four decades earlier than it was succeeded by Tony Blair, in 1997. After the failure of Gaitskell’s attempt to modify the *Claus Four*, according to Sassoon,

Not only was Clause Four retained, but the crucial commitment to common ownership was printed thereafter on the back of the party’s membership cards. It thus acquired a status it had never possessed. It became the symbol of Labour’s commitment to socialism and, consequently, the target of all successive revisionists (Sassoon 1999:258-259).

Despite this fact, nationalization reduced to an insignificant level, because it was ‘revisionist’ approach that dominated the official policy agenda of the Labour.

The strength of the ‘revisionists’ in the BLP is demonstrative in the 1959 general election manifesto. In the manifesto, it was said that the British social democrats “have no other plans for further nationalizations”. The justification for new nationalizations would be that “when an industry is shown after thorough inquiry, to be failing the nation” (The 1959 Election manifesto 2000: 96).

Another significant point for the elaboration of the social democratic perspective on nationalization is the reasons raised for it along with its form. Although Shaw presents nationalization as a ‘socialist’ objective for “the redistribution of wealth, full employment, an effective system of economic planning, improved status and conditions for the workforce and greater efficiency”, the nationalized industries were not profitable, neither were their compensation limited (Shaw 1996). It is difficult to argue that, as said by Weiner as well, the nationalizations were carried by a (‘socialist’) doctrinaire formula. The reasons for nationalization were practical, rather than ideological ones. In other words, nationalization was a policy for the British

social democrats and it was changed with Keynesian economics, for the reason that Keynesian economics would better serve to the materialization of social justice.

The nationalization resolutions passed in the postwar period by the Labour governments were in the same form those done before WWII. The form of nationalization was public corporation, which was thought to be “the most suitable instrument for combining national ownership, expert management and the flexibility and initiative of private business” (Weiner 1960: 37). In line with these principles, most of the heads of the public corporations were appointed among managers of private firms. Such a finding, it can be claimed, allow us to argue that Social Democracy, as demonstrated in the previous chapter, has not been a working class ideology.

Weiner asserted that the nationalization policy of the British organized labour was not a “rigidly partisan or doctrinaire formulae”. The British labour, rather than this, proposed “its demands on those issues over which an accommodation could be reached within the democratic political process”. That is to say, that the organized labour in Britain “chose to establish common ground with those outside its ranks who had their own reasons for accepting nationalization” (Weiner 1960: 76).

Sassoon asserts that the objectives of the nationalizations proposed prior to the 1945 general elections were practical reasons. The cause of the nationalization of the Bank of England<sup>4</sup>, for example, was to ensure full employment. He argues that, “the objective of nationalizing the coal, gas and electricity industries was to make it possible to modernize production, lower charges, prevent waste and increase efficiency” (Sassoon 1999:151-152). The nationalizations carried out between 1945 and 1948, according to Sassoon,

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<sup>4</sup> Sassoon argues that, “Labour blueprints in the 1930s had emphasized the strategic importance of controlling the financial sector and establishing a National Investment Board. Bankers and financiers always had a special role in the demonology of the Labour movement. Consequently, one might have expected that the acquisition of the Bank of England would be used by the Labour government to control the City and the rest of the banking system. But the Bank was never employed to discipline, control, or dominate the banks” (Sassoon 1999:152).

Were either basic to the economy or public utilities or both. None was flourishing or particularly profitable, with the exception of road haulage and, possibly, iron and steel. Consumer interests were important, but capitalist firms were among the main purchasers of these services, and it was in their interests too to obtain coal, gas and electricity at reasonable prices and to have an efficient transport system (Sassoon 1999:152).

It can therefore be stated, that nationalization was a policy for British social democracy.

The cause of the nationalization of the iron and steel industry was however different. It was generally conceived that “state intervention was required to ensure the future of iron and steel”. The British social democrats, Sassoon argues, had not however been enthusiastic about it and there had not been ideological grounds for it. This was because “industrial relations were good and the unions did not fight for” the nationalization of the iron and steel industry (Sassoon 1999:153).

To sum up, the examination has demonstrated that, for the British social democrats nationalization had not been an end in itself, but rather a policy to serve their values, such as social justice. It was this reason that the ‘revisionists’ promoted for the abandonment of further nationalizations. After the adoption of the ‘revisionist’ standpoint, as mentioned above, as that of the Party under the context that occurred after WWII, nationalization was gradually dismantled, although it could not be abandoned. This development occurred within the governing period of Social Democracy through its adoption of Keynesian economics, including full employment and the welfare state (e.g. the development of social democratic economics). These findings present two conclusions: one is that, in terms of nationalization, Social Democracy in Britain has not experienced discontinuity in its adoption (3<sup>rd</sup>) period under the hegemony of the New Right. Second is that, Social Democracy has changed its policies in accordance with the context. These conclusions allow us to argue that the workability of Social Democracy will continue within the context of globalization through changing its policies according to the context.

### 5.3.3. German Social Democracy: Socialization Continues

The position of German social democracy regarding nationalization policy, which had been developed long before WWII, was further elaborated in the postwar period. Its adoption of Keynesian economics, including full employment and the welfare state, was carried through formulating its *Bad Godesberg* Program in 1959. Long before the *Bad Godesberg*, at the *Hannover* Congress of the SPD in 1946, Sassoon quotes, Victor Agarts, SPD's economic spokesman at that time, who argued that "the party rejected liberalism, monopoly capitalism, the corporate state, and was in favor of a planned economy and 'socialization'" (Sassoon 1999:159).

The elaboration of the standpoint of German social democracy, according to Carr, started before the adoption of the *Bad Godesberg* Program in 1959. He says that, "at the 1957 election the SPD was already trying to woo the voters by playing down socialization and Marxism" (Carr 1989:145). The *Bad Godesberg* was the end point for the elaboration or the end of the oscillation of the SPD between Social Democracy and Marxism.

The *Bad Godesberg* Program (1959) has been considered as a corner stone for German social democracy. A growing welfare along with storing full employment through stable currency and increasing efficiency in the economy became the policy objective of the German social democrats. It was argued that the modern state can control the economy through taxation and the treasury, currency and credit sector, customs, trade price policies, social policies, public tenders. Free consuming, freedom of choosing work place, free competition, and free enterprise became significant elements of social democratic economics (*Bad Godesberg* Program in Kavukçuoğlu 1998: 322-323).

The slogan 'as much competition as possible, as much planning as necessary' (*Bad Godesberg* Program in Kavukçuoğlu 1998: 323), clearly expresses the viewpoint of the German social democrats regarding either the market economy or nationalization. The Program stated that public property is a legitimate instrument that no state can abandon. This contributes to the protection of freedom against huge companies. It was however then, said that today's central issue is economic power. If

economic power relations cannot be well ordered, then public property becomes necessary and imperative (*Bad Godesberg Program* in Kavukçuoğlu 1998: 324).

Sassoon however considers the *Bad Godesberg* as “the merging of the party’s immediate demands and its long-term aims”. The Program “was against totalitarian control of the economy” and favored competition as much as possible (Sassoon 1999: 250). This position implies that, as Sassoon argues, “the social democrats had joined the neo-liberals in assuming that capitalism functioned at its best under the conditions of free competition”. The *Bad Godesberg*, according to Sassoon, was “diplomatically silent” on nationalization, because it was not clear whether its approach to the economy required nationalization or not; it “is left to the readers to decide”. He however, conceives the Program as bringing the abandonment of nationalization (Sassoon 1999: 250).

In the Program, it was asserted that the concentration of economic power in a few hands does contain risks, even if this one is the state. Therefore, the public property should be organized according to self-governing and decentralized forms of administrative rule. In the management of the public companies, the interests of the public and consumers should be represented along with workers and civil servants. It would not be bureaucracy that performs the best service for society, but it would be performed by activities that every part shared some responsibility (Kavukçuoğlu 1998: 324-325).

According to the *Bad Godesberg*, democracy requires the participation of employees in decisions (to be) taken in the economy and companies. In an economic sense, workers should be transformed from economic ‘serfs’ to economic citizens. The participation of the worker in the iron and steel industries into the decision-making processes is a starting point for a new economic order. This should be further developed through including big companies by a democratic company bill (*Bad Godesberg Program* in Kavukçuoğlu 1998: 326-327).

The place of the *Bad Godesberg Program* in German social democracy is significant. It is first and foremost the demonstration of the end of the oscillation of the SPD between Social Democracy and Marxism. It can be seen as an elaboration of

the posture of German social democracy against Capitalism and Socialism in the Marxist sense, not as a 'revisionist' turning point in its history, although it can be considered as a 'revisionist' turning for the SPD. That is because its early programs, as mentioned before, had not raised arguments for nationalization. They instead had argued for 'socialization' of the private ownership of the means of production. Furthermore, it should be stressed that they are clearly opposed to the total control of the economy from above, even by the state.

The last program of the German social democrats, the *Berlin* Program, has been adopted in 1989. It is difficult to argue that by adopting the *Berlin* Program the term 'socialization' has been dropped from the SPD's agenda. Although 'socialization' has not appeared in the Program, the term 'economic democracy' does include similar objectives. In the Program, it is said that

Economic democracy requires equal participation and equally represented codetermination by employees and their trade unions in economic and social decision-making at the workplace, during work and the conceptual, planning and introductory phases of new technologies or new forms of organization; at the factory, plant or office, when decisions are to be taken about working conditions, work organization, health care and safety at work, further qualification and continuing training, the application of new technologies, as well as about products and production methods; in all large enterprises and companies with equal representation for capital and labour and equally represented codetermination on the supervisory boards; on an industry-wide level on economic and social committees in which the interests of the workforce, the environment and the consumers are to be voiced; and through Europe-wide codetermination and international regulations for codetermination in multinational companies (Berlin Program: <http://www.>).

It can be claimed, that the Berlin Program advocates socialization. It is therefore difficult to say that rupture has occurred in its approach to socialization that had been developed long before WWII.

To sum it up, it is difficult to argue that nationalization had been a social democratic objective in Germany. Even after WWII, with few exceptions, there were no arguments within the SPD for nationalization. Therefore, in the case of one of the strongest and oldest social democratic parties, the SPD, in Europe it is difficult to

argue that Social Democracy has experienced discontinuity concerning a nationalization policy between its *governing* and the *adoption periods*.

#### **5.4. Nationalization: Critique of its Functioning**

Nationalization has been one of the most debated issues within Social Democracy. It has been for some ‘socialists’ “as the proverbial Good Thing” that would bring “nearer the form of property relations which is most closely approximated to socialism: public (state) ownership” (Sassoon 1999: 165-166). This argument excludes the approaches of many social democratic parties, and is merely formed through that of the British organized labour. This argument neglects both the debates within the labour movement and its practices. Furthermore, the examination of the social democratic practices does not verify such an argument.

In the light of the examination of the social democratic tradition, it can be argued that its standpoint concerning nationalization has been exaggerated. Nationalization could not find widespread support among social democrats throughout their history, and stayed as a utopia for the minority infiltrated from Marxism. Social democrats, as Sassoon argues as well, had never had detailed policies for nationalization, neither were there arguments for “the nationalization of the entire economy” after WWII in Europe (Sassoon 1999:150). It was the result of the context occurred before WWII in a period when Social Democracy did not have economic policies. With the development (or finding) of its economic policies in the context of the postwar period, social democrats gradually dismantled the nationalization policy.

It should be mentioned that the arguments for state intervention as against nationalization was not merely the product of the developments that occurred in the postwar period. For example, Wigfross, the leading Swedish social democrat in the 1930s, according to Przeworski, asserted that “state ownership of particular industries would only result in the socialist government being forced to behave as a capitalist firm, subject to ‘the chaos of the market’, while by indirect control the state could rationalize the economy as a whole and orient it toward the general welfare” (Przeworski 1980: 52). Bearing in the opposition of German social democrats,

especially that of Bernstein to the state control of any industry in mind, it can be argued that, the dissatisfaction concerning nationalization did not occur within the postwar period. Therefore, considering the abandonment of nationalization as a social democratic policy in the governing period would be an oversimplification.

The development of a social democratic economics, according to Przeworski, demonstrates “why social democrats trade-off the abolition of private property of the means of production for cooperation of capitalists in increasing productivity and distributing its gains,” as well as why they “not only attempt to reproduce capitalism but struggle to improve it even against the resistance of capitalists” (Przeworski 1980: 56).

Writing in 1980, Przeworski argued that there has occurred the “abandonment of the programmatic nationalization of the means of production”, although this does not mean the state’s absence in economic activities (Przeworski 1980: 52-53). In this period, however, outside the sectors, such as coal, energy production, and distribution, iron and steel, transport and communication, nationalization was employed for companies which “are threatened with bankruptcy” to prevent the decrease of employment (Przeworski 1980: 53).

The functioning of the nationalized industries contributed to the arguments against it. Public property came to the state of working in economic activities through mainly selling and servicing private corporations. Przeworski furthermore contended that “the state does not compete with private capital but rather provides the inputs necessary for the profitable functioning of the economy as a whole” (Przeworski 1980: 53). Such an employment of nationalization by Social Democracy verifies this thesis, that social democratic policies have been changed in accordance with the conditions.

The efficiency of the economy, as mentioned above, that is the capitalist free market economy, became one of the causes of the nationalizations carried out by the social democratic parties. In other words, the causes of the nationalizations were other than the establishment of ‘socialist-order’ in the Marxist sense. “Nationalizations were, generally speaking, conceived as part of” sustaining an efficient economy

(Sassoon 1999:151. Among these, the efficiency of the market economy took priority for reasons of supporting social reforms. It was thought that, when the market or the private sector left its own the creation of wealth, constant growth and economic development cannot properly be performed.

This brings the social democratic parties to the point of financing social reforms within Capitalism. Sassoon argues that “in the absence of a plan for the elimination of the capitalist economy, the financial requirements for social reforms had to be provided by the capitalist economy itself”. This fact brought in front of social democrats a conflicting paradox: “in order to pay for social welfare, it was imperative that the market be made as efficient as possible; to follow ‘socialist’ policies, it was essential to be pro-capitalist”. Nationalization thus turned to be the last option, merely if necessary, for sustaining the efficiency of the market economy, “when the private sector failed to function properly could the state be expected to step in through subsidies, encouragement, concessions, and special help” (Sassoon 1999:150-151).

The gradual transfer of some segments of the private sector into the public one thus becomes necessary for guaranteeing constant growth. In other words, “the least viable and hence more inefficient sectors of the capitalist economy should be nationalized”. Furthermore, “the most strategic sectors of the capitalist economy (for example, banking or the power industry) should be nationalized and used as instruments to ensure that the remainder of the private sector followed an economically profitable and socially desirable path”. Sassoon asserts that “either way, the results to be aimed for would be an increased level of efficiency in the private economy” (Sassoon 1999:151). This way of financing the efficiency of the private sector or of the market economy contributed to the increase of the proportion of the state in Gross Domestic Product (GDP) against that to be used for the improvement of social services. Such functioning of public corporations caused the decline of nationalization as a social democratic policy option.

Sassoon therefore argues, that “nationalization... was far from being a uniquely socialist policy”. A doctrinaire employment of state ownership was actually “one of

the least prominent aims” of the nationalization policy. While, according to Sassoon, “welfare reforms could be conceived as ends in themselves, ... nationalizations had originally been envisaged as a tool with which to plan economic development” (Sassoon 1999:165-166). It can therefore be stated that, nationalization should be conceived as a policy for fulfilling the social democratic values. Nationalization as a policy was changed with Keynesian economics within the governing years. Presenting this change as a rupture that Social Democracy has experienced after 1980 is not relevant.

One last point regarding public corporations (KIT) can be made from the experiences in Turkey. Public corporations emerged in Turkey in the 1930s. There were two reasons for them: its implications for national sovereignty, and the lack of private investment. Public corporations then flourished in Turkey through the investment by the State rather than acquisition by it, even during the centre-right governments who expressed their opposition against them.

Public corporations in Turkey however, have had significant impacts on the politics. They have been immensely used by the centre-right governments for their patronage relations and consequently, the corporations have contributed to the continuity of the right governments. There can also be mentioned the impacts of the public corporations in Turkey on the rightist position of the Turkish trade unions, especially that of the TURK-IS and that of the workers under the right-wing governments. Such functions of the public corporations, it can therefore be concluded, raise questions about their necessity for social democratic politics.

## **5.5. Conclusion**

In this chapter, one of the most debated issues concerning Social Democracy, nationalization (public corporations), has been examined. The examination has first and foremost demonstrated that nationalization should not be taken into the debates, because it was not a general policy agenda for social democratic parties; but it was almost unique to the BLP. Its case however, raises questions concerning the place of nationalization within its tradition before 1980 as well.

The analysis of the British labour movement firstly presented that the rise of nationalization had been the result of the context caused by the state of the British economy before and after WWI. In this period, the British social democrats did not have economic policies either. With the change of the context in the postwar period through the emergence of Keynesian economics however, they gradually abandoned nationalization, which had been long before the emergence of the New Right hegemony in the early 1980s. In the light of this finding, I have claimed that it is not appropriate to include nationalization into the analysis of Social Democracy through continuities and changes within its tradition. However examining nationalization as a social democratic policy in this study is not limited to these findings.

The case of nationalization demonstrated the inadequacy of the analysis of Social Democracy merely through its policies. As demonstrated above, the policies employed by social democratic parties can be changed in accordance with the conditions. Changes, however, occur under the guidance of social democratic principles, such as social justice. This argument contributes to the criticisms of Social Democracy concerning its practicability within the context of globalization. In other words, the case of nationalization has showed that the analysis of the workability of Social Democracy, within the context, should not be carried out merely through its policies of the postwar period, but its values should be taken into examination. The examination of social democratic economics including full employment, in the following chapter will further verify this argument.

## CHAPTER SIX

### SOCIAL DEMOCRATIC ECONOMICS AND FULL EMPLOYMENT

In the previous chapter, the perspective of Social Democracy on nationalization has been analyzed. I have claimed that nationalization should not be taken into the debates after 1980 concerning continuities and changes or ruptures within the tradition of Social Democracy for two reasons: first, nationalization had not been a general policy shared by social democratic parties; secondly, it was already abandoned from the social democratic agenda long before 1980. More significantly, the examination of the case of nationalization demonstrated that the analysis of the viability of Social Democracy should include its principles as outlined by Bernstein, but not merely through its policies. The examination of social democratic economics including full employment, which is the theme of this chapter, will allow us to further elaborate this argument.

#### 6.1. Introduction

The theme of this chapter will be the examination of the economic policies of Social Democracy by giving special emphasis to full employment. The examination will demonstrate the change of the policies employed by social democratic parties in accordance with the conditions. The examination will be carried out through the analysis of the policy practices of social democratic governments that are called social democratic economics<sup>1</sup>. It will be asserted that, for the analysis of continuities and changes within the tradition of Social Democracy, merely focusing on full employment would be too simplistic, because it is part of a

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<sup>1</sup>Throughout this study social democratic economics, Social Democracy's approach to the management of the market economy and Social Democracy's understanding of economics are interchangeably used to imply social democratic social-economic policies.

greater picture of economics, even if there has been attached a significant place to full employment within the social democratic theory in the postwar period. Fulfilling social justice by way of full employment is part of a broader picture, which includes the management of the market economy and the welfare state. In this chapter therefore, the examination of the social democratic point of view concerning full employment will be carried out within social democratic economics, while social justice is left to the next chapter.

The examination of the practices of the social democratic governments within the governing years demonstrates that full employment was pursued within the limits of their standpoint on the market economy or of the context. This was particularly apparent from the late 1960s and throughout the 1970s. The experiences of especially the 1970s, it should be asserted, are significant for the orientation of the policies through the 1990s. Therefore, this chapter is called as social democratic economics and full employment.

Before going to the examination of the context concerning full employment, it should be stressed that in the 1970s there emerged significant developments that contributed to the rise of pessimism among social democrats regarding achieving or maintaining full employment. The problems concerning the welfare state, or the increase of welfare benefits, the failures of Keynesian economics, the shortages of public spending on both job creation, and the use of monetary policies were all experienced by both the SPD and the BLP in the 1970s. Furthermore, the analysis of the practices of social democratic governments challenges the general belief on the viewpoint of Social Democracy on Keynesian economics, full employment, and planning. Therefore, this chapter will also study the relationship between Social Democracy and its policies, especially full employment.

The analysis will firstly focus on the causes of the development of social democratic economics. Secondly, the policy practices of social democratic governments, such as the gradual acceptance of monetary policies, of the limits of either the welfare state or of demand management policies from the beginning of the postwar period to the 1980s will be analyzed. I will argue that the analysis of the practices of social democratic governments envisage the orientation of policies

in the 1990s in the case of the Third Way. Before concluding, the policies of Social Democracy in the case of the Third Way will be analyzed by challenging both its criticisms and the accusations directed to it. Before going into the examination of Social Democracy within its governing years, the contexts concerning full employment both for its rise and its decline full employment will be briefly analyzed.

## **6.2. Context: The Emergence of Full Employment as a Goal**

Although among ideologies it is only Social Democracy that is mentioned that attributed a significant place to full employment, it should firstly be underlined that almost all political actors after WWII embraced it as a social and economic goal. It became a significant goal not only for economic achievements, but for social and political achievements as well. Since the class conflict experienced between the two world wars and the rise of fascist regimes in Europe were seen as consequences of the economic situation, particularly of unemployment, the achieving and maintaining of full employment was perceived as vital for a peaceful social order.

Along with being a threat against a stable social and economic order, unemployment does have catastrophic consequences for an individual and his/her family. The consequences of unemployment are not restricted to the absence of an income (Piachuad 1997: 49-56). Philpot argues that “unemployment is a major source of unhappiness”. He furthermore asserts, that “mass unemployment had bred poverty, damaged the health of individuals and whole communities, and reduced social cohesion by fostering an emergent ‘underclass’. Unemployment has “threatened to undermine the welfare state” (Philpot 1997:3) as well. Piachuad stressed that the costs of unemployment on the welfare state tripled between 1979-1980 and 1992-1993 (Piachuad 1997: 58).

With the catastrophic consequences of unemployment for both individuals and community in mind, employment policies have taken a significant place within the social democratic tradition, especially after WWII. It has been argued

that employment policies through the maintenance of full employment<sup>2</sup> would contribute to social justice. Through employment not only will people have an income, but they will participate in social life as well. The significance of employment policies is present within the theories of economics.

The theoretical approaches to employment in the course of history<sup>3</sup> can be divided into three. Firstly, classical economic theory saw the causes of unemployment as deficiencies within the labour market, such as high wages and mobility of labour force. After the Great Depression in 1929, on the other hand, Keynes developed another theory, which argued that the cause of unemployment is the inadequacy of aggregate demand. The last one by contrast has emerged in the early 1980s, as that of ‘new-classical ones’ embraced by the New Right, which has returned to the deficiencies of the labour market (Dawson 1992:39).

### **6.3. Context: Keynesian Period**

In terms of employment policies, the first period of the postwar era can be called the Keynesian period. The rise of Keynesian economics after the Great Depression in 1929 dominated economic policies after WWII, and continued until the mid-1970s. According to Keynes, “the fluctuation of profits, of outputs, and of employment” is because of “disequilibriums of savings and investment” (Keynes 1970: 22). Therefore, an employment policy should focus on the restoration of business profits, which can be achieved by the “rise of prices to a higher level” (Keynes 1970:22-29). To secure a sufficient level of prices, there should also be the maintenance of “the restoration of confidence both to the lender and to the borrower”, “construction programs under the direct auspices of the government or other public authorities”, and “a reduction in the long-term rate of interests” (Keynes 1970: 34-39). From the Keynesian point of view then, the solution to

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<sup>2</sup> Beveridge (1953), therefore, instead of unemployment, used ‘idleness’ to point out the consequences of unemployment other than income. He argued that “choice of the term Idleness has two implications. Idleness is a different word from unemployment; freedom from Idleness secured by full employment does not mean that there must literally be no unemployment at all. Idleness is not the same as Want; it is a positive separate evil from which men do not escape by having an income” (Beveridge 1953:17-18).

<sup>3</sup> In this part of the study the approach to full employment is divided into two periods: the first period starts after the WWII and continues to the late 1970s, the second one begins from the early 1980 and continues until the present time.

unemployment is the increase of aggregate demand to the level that would absorb the aggregate output corresponding to full employment.

The rise of Keynesian economics contributed to the raise of full employment as a social and economic goal in the postwar period. Within the context that occurred after WWII therefore, the interest in full employment reached an unprecedented level. For the first period, Beveridge's definition of full employment is significant. His approach to full employment is particularly crucial considering today's ratios of unemployment. Full employment, according to Beveridge,

Means having always more vacant jobs than unemployed men, not slightly fewer jobs. It means that the jobs are at fair wages, of such a kind, and so located that the unemployed men can reasonably be expected to take them; it means, by consequence, that the normal lag between losing one job and finding another will be very short (Beveridge 1953:18).

According to the definition of full employment by Beveridge, there may be 3 % of unemployment: 1 % is the cause of seasonal unemployment, 1 % employees' change of jobs and the last 1 % the decline of British international trade<sup>4</sup> for his time (Beveridge 1953: 126-128).

Beveridge's approach to the causes of unemployment was Keynesian. According to Beveridge, the crucial cause of unemployment is the low level of "the quantity of the effective demand for the products of industry". He divided the increase of 'public outlay' into three: the increase of "consumption goods", of the "business investment" and of the "communal outlay" (Beveridge 1953: 131-132). It is the state which would contribute to the rise of 'public outlay'<sup>5</sup> through affecting these expenditure areas. As a cause of unemployment he also mentioned the mis-direction of industry in terms of location (Beveridge 1953: 24). Beveridge did not place his trust in the market for achieving and maintaining full

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<sup>4</sup> In case of Britain, Beveridge mentioned the effects of international trade on the increase of unemployment. He argued that "drastic reduction of overseas demand which, through failure of the market economy to develop any compensating home demand, led to chronic structural unemployment during the whole period between the two wars" (Beveridge 1953:27).

<sup>5</sup> Beveridge says that "outlay, defined as the laying out of money as demand for the products of current industry" (Beveridge 1953: 131-132).

employment. He stated that looking “individual employers for maintenance of demand and full employment is absurd. These things are not within the power of employers” (Beveridge 1953: 16). In his approach, a significant role was given to the state in the maintenance of full employment.

It should be mentioned that, for Beveridge, maintaining full employment was not restricted to the increase of aggregate demand; social security took a significant place as well. He asserted that the adoption of his report on ‘Social Security’ would contribute to “the maintenance of full employment by expanding and maintaining private consumption outlay”. The redistribution will be horizontal, which is between periods, rather than vertical (Beveridge 1953: 160).

The reasons raised for full employment by Beveridge also require examination. According to Beveridge, “employment is not an end in itself; it is a means to an end. The end is the abolition of great social evils which, in spite of the existence of idle resources, have been allowed to survive” (Beveridge 1953: 178-179). Another implication of full employment, like that of Kalecki (1990a), Beveridge contended, is the conversion of the labour market from the “buyer’s market” to the “seller’s one,” and this would “permanently and markedly” contribute to “the bargaining strength of labour”. This is because, Beveridge underlined, “a person who has difficulty in buying the labour that he wants suffers inconvenience or reduction of profits. A person who cannot sell his labour is in effect told that he is of no use. The first difficulty causes annoyance or loss. The other is a personal catastrophe” (Beveridge 1953: 18-19, 199).

Kalecki shared Beveridge’s argument on the effects of full employment upon the strength of labour. He however mentioned, that such development would raise the opposition of the “industrial leaders” and “their ‘economic experts’” (Kalecki 1990a: 349). Kalecki divided “the opposition of the industrial leaders” into three categories:

- (i) dislike of government interference in the problem of employment as such’;
- (ii) dislike of the direction of government spending (public investment and subsidizing consumption);
- (iii) dislike of the social and political changes resulting from the *maintenance* of full employment (Kalecki 1990a: 350).

He furthermore, mentioned the effects of full employment upon “disciplines in the factories” and upon “political stability”. These are, he claimed, “more appreciated than profits by business leaders. Their class instinct tells them that lasting full employment is unsound from their point of view, and that unemployment is an integral part of the ‘normal’ capitalist system” (Kalecki 1990a: 351).

Foster, in contrast, argued that “full employment did not lead a consolidation of working-class power or the socialization of production” (Foster 1993: 34). Moreover, he asserts that throughout the 1944 White Paper on Employment “the key concern was the avoidance of inflation. Everything was predicated on this – and the biggest responsibility for avoiding it, was placed on the shoulders of the trade unions movement” (Foster 1993:24-25).

Regarding the effects of full employment, the possibility of full employment causing inflation was also mentioned. Both Beveridge and Kalecki argued that if the demand for wage increase was over that of productivity growth, inflation would emerge (Kalecki 1990b: 362; Beveridge 1953: 199-200). Kalecki<sup>6</sup> also mentioned as a cause of inflation the rise of effective demand over aggregate supply (Kalecki 1990b: 361-262). Beveridge asserted that to prevent inflationary pressure due to employees’ wage demand, the central organization of labour should take the economic situation into consideration (Beveridge 1953: 199-200). Kalecki therefore argued, that in a state of full employment, which he called “full employment Capitalism”, it would “have to develop new social and political institutions” (Kalecki 1990a: 356).

To sum up, it can be claimed that full employment policies in the first period focused on the expansion of aggregate demand. It was the state that was given the leading role for the expansion. The role of social security, or that of the welfare state for maintaining full employment, was mentioned as well. As

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<sup>6</sup> Kalecki furthermore claimed that “a prerequisite of full employment is a proper relation between existing equipment and available labour. The volume of equipment must be adequate to employ the available labour and still allow for reserve capacities. If the maximum capacity of equipment is inadequate to absorb the available labour, as still be the case in backward countries, the immediate achievement of full employment is clearly hopeless. If the reserve capacities are non-existent or insufficient, the attempt to secure full employment in the short run may easily lead to inflationary tendencies in large sections of the economy, because the structure of equipment does not necessarily match the structure of demand... In an economy where plants is scarce, it is thus necessary to have a period of industrialization or reconstruction during which the existing equipment is expanded at a fairly high rate” (Kalecki 1990:361-362).

Beveridge also said, social security can contribute to the leveling of the aggregate demand by preventing the decrease of disposable income through guaranteeing people with a stable income. The maintenance of full employment as a goal furthermore, contributed to the rise of social democratic corporatism after WWII. Through the corporatism, governments were able to prevent inflation by controlling the increase of wages over that of productivity. However, in the mid-1970s, the emergence of stagflation, especially in the advanced industrial countries, led to the decrease of the confidence in Keynesian economics.

In the first period of the postwar era, social democratic economics, and approach to full employment, reflect the economic policies of the context. Main instruments of economic policies were demand management, the increase of welfare benefits, and social democratic corporatism. These instruments were used by the social democratic governments, for example in Britain, to maintain full employment and to fulfill social justice. The favorable social-economical conditions of the postwar era in mind, the instruments were successful. Full employment was able to be achieved and maintained until the mid-1970s, and welfare benefits were able to be increased. The instruments could not however, work in the late 1970s. The failures of the instruments were culminated through the economic crises of the 1970s, such as the OPEC crisis and stagflation, and especially by the rise of the New Right through the end of the decade. The failure of Keynesian economics caused pessimism among social democrats for either achieving or maintaining full employment. The inability to achieve full employment in the 1970s contributed to the rise of the New Right, whose approach to employment has been the re-surgence of classical economics.

#### **6.4. Context: The New Right Period**

The 1980s has been a turning point for employment policies. It can be claimed that full employment policies have been gradually left out, due not only to the rise of the New Right, but to the state of both domestic and international markets as well. It has been indicated that it has become difficult to achieve the previous low level of unemployment or full employment level in the advanced industrial countries,

because unemployment rate could not be reduced in the 1970s, and it has been around 8 per cent after the 1980s.

The resurgence of neo-classical economics in the disguise of the New Right has been a significant development for full employment as well. The impacts of the approach of Milton Friedman (quoted from Dawson 1992) on (un)employment theories of the 1980s, and on the rise of the New Right, has been significant. He developed 'the natural rate of unemployment' theory (NRU). The NRU is "the rate of unemployment to which the economy tends to return whenever the rate of inflation is steady". According to the theory, Dawson says, "unemployment falls below the natural rate only if inflation is accelerating during each expansionary phase" (Dawson 1992: 45). According to the NRU, Dawson argues,

There is no long-run trade-off between inflation and unemployment: in the long run the Phillips curve is vertical. A moderate increase in inflation would reduce unemployment in the following way: a monetary expansion increases the demand for goods and hence causes a general price rise; nominal wages respond more slowly and the consequent fall in real wages induces firms to move down their labour demand curves; unemployed people, anticipating stable prices, are willing to work at the unchanged level of nominal wages and so unemployment falls (Dawson 1992:45).

The new version of the NRU is "the non-accelerating inflation rate of unemployment" (NAIRU). In the NAIRU, "there is a critical level of unemployment at which inflation will be just stable – neither rising nor falling" (Dawson 1992: 54). Dawson says that NAIRU

Is determined in the labour market bargaining process. The feasible real wage depends on the living standard which the economy can provide. The pricing decisions of firms determine the real wage in the long run, because if unions press for real wages above the feasible level, firms will raise prices to offset increases in money wages granted in response to union pressure and so maintain real wages at their feasible level. NAIRU is the level of unemployment which is just sufficient to ensure that the target real wage aimed at by unions equals the feasible real wage" (Dawson 1992: 154-155).

The implications of the NRU are crucial for employment policies. The NRU and its versions correspond to higher rates of unemployment than that was thought by Beveridge, which was 3 %. In other words, for example, 8 % of unemployment

may still mean a full employment level, because it is the ‘natural rate of unemployment and the economy cannot reduce this rate. It can therefore be stated, that even if the advocates of the New Right mention full employment, its conception of full employment differs from that of the Keynesian period.

The approach of the New Right to employment/unemployment, as mentioned before, has been the resurgence of neo-classical approach. Dawson argues that “classical unemployment is a microeconomic phenomenon”. The market can sustain full employment if, for example, trade unions’ intervention for wages do not exist. That is because they prevent wages to come to “the market-clearing level”. Likewise, unemployment benefits negatively affect the operation of the market leading people not to accept low wages (Dawson 1992: 42).

The flexibility of the labour market, such as wage flexibility and mobility of labour, was advocated as a solution to the problem of unemployment by neo-classical economic theory<sup>7</sup> (C. Freeman 1997:115). Like neo-classics, the New Right has contended that the “regulated labour market” is not flexible, and this causes the decline of a country's competitiveness. According to the New Right, both the power of trade unions and the welfare state contribute to the inflexibility of the labour market. Trade unions prevent the decrease of wages to the market-clearing level. Similarly, as accepted by some Keynesians as well, such as Layard, the welfare state causes inflexibility through welfare benefits. To make a country's economy or her firms more competitive, both the labour market has to be deregulated, and the scope of the welfare state has to be reduced. Deregulation, by which they mean flexibilization of the labour market, the New Right claims, will be a solution to the problem of unemployment.

Among the Keynesians, C. Freeman, on the contrary, asserts that flexibility is not restricted to wages and labour mobility. ‘The ICT techno-economic paradigm’ has brought

increased flexibility in product mix, process change, design, manufacturing systems, marketing response to changes in consumer

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<sup>7</sup> It should be mentioned that despite neo-classical flexibilities adopted in Britain “the record on job creation has not been impressive, as the Delors White Paper demonstrated: between 1970 and 1992 the UK saw employment growth of only 3 per cent. Germany created 11 per cent more jobs over the period, proportionately almost four times as the UK, while France created 6 per cent more jobs” (Pond 1997:170).

demand and delivery of services, including ultimately teleshopping, telebanking, teleconferencing and teleworking, all now rapidly developing. This enhanced flexibility cannot be achieved without flexibility within the firm and between firms in their subcontracting relationships and alliances... (C. Freeman 1997: 118).

C. Freeman claims that through “the advent of ‘new’ growth theory” investment in people through education (‘life-long’ education policy of the Third Way) has become “the most critical factor behind economic growth and development” (C. Freeman 1997:122). C. Freeman therefore, asserts that within the international trade what Europe has to do is to invest “more in education, training and its own technological and physical infrastructure”, instead of ‘deregulating its social achievements’ (C. Freeman 1997: 128).

Despite the New Right’s insistence on the flexibilization of the labour market alone, there are other areas, which have to be taken into consideration for enhancing flexibility. These are “the rapid establishment of new small firms” and “flexibility in working time”. Furthermore, Freeman argues that “fluctuating and changing workloads... require... flexibility in changing consortia and partnerships” (C. Freeman 1997: 119).

Regarding the effects of wage flexibility on competition and unemployment, in contrast to the New Right, Pond argues that “despite the low level of wages, Britain is relatively uncompetitive. This is because productivity is low, pushing unit labour costs (the amount of labour cost for each unit of production) in Britain to a level very much higher than the EC average” (Pond 1997: 169). Pond asserts that although flexibility is crucial in competitive economies, it cannot be merely based on “the employers’ term”. This is because “flexibility requires that employees have sufficient security to accept the changes that are inevitably necessary to meet the challenges of the competitive environment” (Pond 197: 171).

Against the arguments of the New Right concerning the flexibilization of the labour market and its effects on the competitiveness of the economy or of firms, as well as on unemployment in terms of levels of pay, Marsden divides the work force into three sections: low-wage, middle-pay and higher pay. The low-wage group comprises the low-skill and low productivity section; the middle-pay

group includes the skilled-blue collar and junior professional workers, while the higher pay group involves the managerial and higher professional workers (Marsden 1997: 177). The core of the work force is the second one, which is the “skilled blue-collar and junior professional workers”, because it is this section that is “the most important one for the installation of international competitiveness and long-run employment levels” (Marsden 1997: 181). He claims that

The main effect of deregulatory policies is likely to come with measures designed to reduce the power of organized workers to resist management attempts to raise productivity by reorganizing work or introducing new equipment. Although unions clearly provide them with a vehicle for bargaining and for discussing change with management, it is not so obvious that unions greatly increase their bargaining power (Marsden 1997:179-180).

Marsden, on the other hand, contends that the increase of productivity can be achieved through “co-operative exchange between skilled and professional workers and their employers is critical to achieve high productivity levels and good quality output. Two elements in particular stand out: flexible working and effective information sharing” (Marsden 1997: 181).

Brown similarly argues that, although international competitiveness is essential for achieving full employment, the increase of British competitiveness cannot be secured through the decrease of wages, but through the decrease of “labour cost per unit of output”. The decrease of wages would not contribute to the competitiveness of the British economy, but leads it to become “a low wage economy”, which would cause the decrease of the reasons for training employees and for new technologies, and in turn, an “increasingly degraded workforce” (Brown 1997: 220).

Coming back to Keynesian economics, it should be asserted, changes have occurred within the Keynesian approach to full employment in the 1980s as well. Disagreement, as Dawson argues, has occurred among Keynesians about how to achieve full employment. Some Keynesians still insist on the role of demand management. They, Dawson cites, “believe that prices and wages are sticky and hence that quantities have to take the initial burden of adjustment to policy

changes. So disinflation always involves a fall in output and a consequent increase in unemployment” (Dawson 1992: 151).

Dawson says that “Moderate Keynesians... adopted a middle-of-the-road position, rejecting the concept of voluntary unemployment as ‘fundamentally unhelpful’ but conceding that unemployment is affected by, among other things, ‘individual choices’” (Dawson 1992:158). According to Dawson, modernizers “stress supply side reforms and the need to make individuals more employable”. There are also, Philpot argues,

‘New Keynesians’ – who seek a sophisticated accommodation between demand management and supply-side measures designed to create a socially inclusive and cohesive ‘stakeholder economy’ able to sustain full employment without inflation whilst at the same time improving living standards for all citizens” (Philpot 1997:1-2).

It can be argued that the examination of the approaches to full employment policies should take into account the context regarding the success of policies to achieve full employment. In other words, the examination of employment policies of Social Democracy in its governing years should bear in mind the change of the conditions concerning employment. Bearing in mind these change, it can be claimed that the criticism of the changes in employment policies of social democrats as discontinuity would be an oversimplification. This is because the trust in macroeconomic policies on the reduction of unemployment in the 1970s has reduced. As Britton argues as well, many people come to the conclusion that macroeconomic policies, such as public spending, tax cuts and interest rates, cannot solve the unemployment problem “on its own” (Britton 1997: 39).

Ormerod, like Britton, contends that the effects of macroeconomic policies on unemployment are little (Ormerod 1997:151). He states that “unemployment in medium and longer term essentially depends upon the social values, institutions<sup>8</sup> and history of a country, and not upon technical aspects of economic policy” (Ormerod 1997:151). According to Ormerod, for example, Japan, Austria, Norway, Switzerland, Sweden, and Finland WERE ABLE TO sustain low levels

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<sup>8</sup> Ormerod argues that “the oil shock increased unemployment to around 4 per cent. But the German social market system absorbed the shock more easily than the British economy, so that not only did unemployment rise less quickly, but a new attractor point emerged more rapidly” (Ormerod 1997:157-158).

of unemployment, despite having different social and economic policies and governed by political parties with different ideologies. In Japan, it has been the domestic service sector, which absorbed unemployment, while it has been the public sector in Norway and Sweden (Ormerod 1997: 160).

Although the Keynesians have raised supply-side measures for employment, it is difficult to argue that they have totally left demand management out as a policy option. Layard (quoted from Dowson 1992:159), for example, claims that “policies on aggregate demand matter”, and “attending to the supply side is not enough”. Davies similarly (quoted from Dowson 1992:159) insists on demand management. He asserts that “there is scope for demand management to speed the economy’s return to equilibrium and reduce unemployment to the natural rate with only ‘slight’ inflation consequences,” because “while there is a long-run equilibrium level of employment which is not affected by demand management, ‘the economy can get ‘stuck’ in short-run ‘disequilibrium’ states for very long periods”. Britton, on the other hand, contends that demand expansion cannot solve the problem of structural unemployment, which is around two and a half million in Britain in the mid-1990s. He however stresses, that “the management of demand does nevertheless still have an important part to play in a strategy to achieve full employment” (Britton 1997: 40).

Layard asserts that the main unemployment problem of Europe is long-term unemployment, which is, for example, around 40 % of all unemployed people in Britain in the mid-1990s (Layard 1997: 190). Like the New Right followers, he argues that this has been due to long-duration of unemployment benefits (Layard 1997: 191). He therefore says that

After twelve months the state should accept a responsibility to find people work for at least six months. That should become the method through which it supports their income. In return the individual would recognize that if he wishes to receive income, he must accept one of a few reasonable offers. These offers would be guaranteed by the state paying to any employer for six months the benefit to which the unemployed individual would otherwise have been entitled (Layard 1997:193).

Among causes of unemployment, de-industrialization in the advanced economies, especially in Britain since the early 1970s, has been mentioned as well.

Greenhalgh and Gregory argue that de-industrialization process began earlier, and has been more intense in Britain than in other industrialized countries. They say that “manufacturing employment in Britain began to decline from 1963 – the only major industrial economy to experience a reversal before the oil shock of 1973. Since then, the decline has been continuous” (Greenhalgh and Gregory 1997: 96).

To sum up, there is no doubt that the approach to full employment in the 1980s has changed. First and foremost it should be mentioned that macroeconomic theories, Keynesian and Neo-liberal economics, have accepted a relatively higher level of unemployment, although that level is not clear, as a target for full employment. Friedman’s NRU and its version NAIRU has not only raised arguments against Keynesian demand management model and in turn for ‘de-regulation’, but accepted a considerable higher rate of unemployment for the level considered as full employment as well.

The Keynesian approach to full employment has changed as well. Demand management has lost its credibility for the maintenance of full employment. For the long-term unemployment, training has taken a significant place within Keynesian economics since the 1980s. Keynesians also advocate the changes within the welfare state which are raised for pushing unemployed to look more actively for work. The reduction of the duration of unemployment insurance is among those. It should however be stressed, that ‘New Keynesians’ do not raise the drastic reduction of welfare provisions. The provisions are still considered as essential for increasing and sustaining productivity and also the competitiveness of both economies and firms.

The change of the approaches to employment between the two periods should be kept in mind through the elaboration of the social democratic economics. The analysis of social democratic economics should focus on the postwar era. Social justice was pursued through employing many policies, in which full employment is only one of them. However, the experiences of the 1970s should be kept in mind through the analysis of these changes.

As demonstrated above, after the mid-1970s, Keynesian economics has experienced changes. It can be claimed that changes in social democratic economics reflect changes occurred within Keynesian economics. This reflection

demonstrates the verification of the argument that the policies of Social Democracy have been changed in accordance with the context. In other words, the change of the context results in the change of the policies of Social Democracy. Therefore, it can be claimed that, since the change of policies has been intrinsic to the social democratic tradition, the analysis of Social Democracy merely through its policies would be insufficient. This argument will be further elaborated in the following part.

## **6.5. Formation of Social Democratic Economics**

### **6.5.1. Developments**

The formation of social democratic economics was completed after WWII. There had been significant developments contributed to the formation. One of the developments was the falsification of some arguments of neo-classical economics concerning the role of the state in the economy. The developments between and during the wars were of significance for discrediting *laissez-faire* economics, which is against state intervention in a market economy. Pearce argues that, after WWII, “people began to see the previous decades in a new light... Now the state created millions of jobs... Even *The Times* insisted, in 1940, that democracy did not deserve the name if it maintained the right to vote, but forgot the right to work” (Pearce 1994:14). Throughout this development, as Tomlinson argues (quoted from Shaw 1996: 27), the control of the economy by the state covered “investment, consumption, prices, manpower, trade and foreign exchange”. Shaw, for the case of Britain, asserts that Labour “inherited from the war-time economy a formidable apparatus of direct controls” (Shaw 1996:27).

As such, the rise of Keynesian economics contributed to the arguments in favor of state intervention in the market economy. It gave Social Democracy not only instruments for managing the market economy, but an argument against Marxism for achieving social justice in the capitalist economy as well. As demonstrated in the Fifth Chapter before, with the establishment of the welfare state in mind, social democrats came to the conclusion that with Keynesian economics, they can contribute to the materialization of social justice by not even

changing property relations through nationalization. Some social democrats, such as Crosland of the BLP, stated that nationalization is not necessary any more (Crosland 19; Shaw 1996:53-54). This is because of the fact that, as Shaw argues as well, some social democrats believed that

acting mainly through the budget... the government... can exert any influence it likes on income-distribution... the division of total output between consumption, investment, exports and social expenditure'. Fiscal, monetary, legislative and physical controls enabled it to 'severely limit... the autonomy of business decisions'" (Shaw 1996:53-54).

It can therefore be claimed that, these developments contributed to the formation of social democratic economics. In other words, Social Democracy adopted policies in the economic sphere in accordance with its reformism in the political sphere. Before going to the elaboration of social democratic economics, a brief analysis of the conditions, such as high economics growth, which were crucial for the materialization of the values of Social democracy, will contribute to the elaboration.

### **6.5.2. Favorable conditions for full employment**

The examination of the social democratic point of view concerning full employment, can be argued, should take into account the economic conditions in the postwar period. In the postwar years, domestic and international economic conditions, such as high and sustainable economic growth, contributed to achieving and maintaining full employment. That is to say, that full employment was not a mere result of economic policies that were employed in the postwar period. The analysis of favorable conditions in both domestic and international markets for the social and economic achievements would contribute to the elaboration of social democratic economics.

After the ruins of WWII, almost all the industrialized countries experienced high economic growth until the early 1970s. Britain experienced favorable economic conditions for full employment. Pearce says that "in 1946-1951 industrial production increased by a third, Britain enjoying one of the longest period of economic growth in the post-war period. Growth, as high as 4 %, was achieved in 1948, 1949 and 1950" (Pearce 1994: 43). Therefore, it can be argued

that along with the social and economic policies in the postwar period, the favorable economic conditions contributed to achieving and maintaining full employment in the postwar period.

The German Gross National Product (GNP), like the British one, grew “9.4 % between 1951 and 1955, 6.6 % per between 1956 and 1960, and 4.9 % between 1961 and 1965” (Leaman 1988: 173). With this high growth in mind, the amount of money spent on housing is significant for achieving and maintaining full employment. Germany spent about 91 billion marks between 1950 and 1959 on housing (Bark and Gress 1993: 395).

Migration from the East to West Germany provided favorable conditions for sustainable high growth. Bark and Gress state that migration from the East Germany contributed to the high economic growth in Western Germany. The Eastern migrants were “young, skilled and highly educated”. Due to the migration, it is estimated that the Federal republic ‘saved’ over 30 billion marks in education costs in the 1950s (Bark and Gress 1993: 393-394).

The sustainable high economic growth in Germany was significant for ‘social market economy’ of the Christian Democrats, which contributed to the further development of the German welfare state in the postwar period. Bark and Gress argue that,

Increasing wealth made it possible to consider increased state expenditure, and such groups as farmers, and spokesmen for war victims and pensioners, increasingly insisted that the government use the accumulated surpluses to help these groups. The most important consequence of these debates was the pension reform in 1957, by which the level of all pensions tied to the cost of living index (Bark and Gress 1993: 394).

Offe, on the other hand, stresses on the contributions of the *Sozialverfassung* (social constitution) of Germany to make “the German economy a growth machine capable of generating full employment, at least for a period that now most definitely belongs to the past”. This is because the *Sozialverfassung* produced economic incentives for growth (Offe 2002: 209). It is however difficult to consider the relationship between the *Sozialverfassung* and economic growth as a one way determinant fact, since the experiments that occurred, especially in the

second half of the 1970s, could not produce such growth achieved in the 1950s and 1960s. Therefore, although the effects of the *Sozialverfassung* on the growth through giving incentives cannot be denied, it can be argued that the favorable domestic and international conditions that resulted in high economic growth were significant for the accomplishment of full employment and in turn that of social justice. As a result, it can be claimed that the analysis of the continuity and changes or ruptures concerning Social Democracy in case of full employment should bear in mind the favorable economic conditions in the postwar period.

### **6.5.3. Social democratic economics**

Throughout the developments mentioned above, social democratic economics was formed. It should however be asserted, that the examination of the practices of the social democratic governments presents that social democratic economics has not been static in a market economy. As mentioned below, it can be demonstrated that social democratic economics has been adapted (changed) to the needs of the market economy through measures that would contribute to high growth, and in turn, to the materialization of social justice. Although faced with harsh criticism within its own followers, there can be seen economic measures even against, for example, full employment, especially in times of economic crisis. The experiments in the 1970s, it can be argued, envisage its policies of the 1990s.

During the first period after WWII, economic policies of Social Democracy reflected the consensus/context of the period regarding the management of the market economy through Keynesian economics and welfare state. Both the BLP and SPD formed their policies from their approach to Capitalism. While the BLP came to the Keynesian point of view during its governments between 1945 and 1951, the SPD started to question its Marxist tenets from the early 1950s and left them by adopting 1959 *Bad Godesberg* Program. Pearce asserts that the Labour budget of 1947 presented the signs of turning “from the use of the physical controls inherited from the war to Keynesian demand management” (Pearce 1994: 47). British social democracy is considered by Shaw as ‘Keynesian social democracy’, because Keynesian economics “dominated Labour thinking and its maxim governed the choice of policy” (Shaw 1996:57).

It should be mentioned that, as Howell (quoted from Shaw (1996: 57) states as well, the adoption of Keynesianism into Social Democracy was not ‘a rupture with the past’. This is because British social democracy had been in favor of “the belief that existing administrative institutions were politically neutral, the readiness to seek consensus, the commitment to incremental change”. As Shaw states, the BLP came to the point of “market-regulated mixed economy”. Therefore, “the adoption of Keynesian social democracy filled the ideological vacuum, which had appeared in the late 1940s” (Shaw 1996: 57).

One of the results of the adoption of Keynesianism into Social Democracy was the dismantling of the nationalization policy, as analyzed in the Fifth Chapter. Callaghan contends that for the Labour Party in the 1950s, instead of nationalization, fiscal policy was considered as “a better means of achieving a more egalitarian distribution of incomes and wealth; social policy was a superior instrument in the elimination of poverty; and educational reform was a more useful measure against the deleterious influence of class” (Callaghan 1989: 33). He says that “although planning was a central feature of the party’s message in the early 1960s, definite public ownership proposals were absent from the Wilsonian agenda” (Callaghan 1989: 38). The nationalization policy was soon practically dropped from the government agenda although the debate on it continued until the mid-1990s.

It should however be argued, that some, such as Bevan, approached the nationalization policy for the establishment of full employment. According to Pearce, for Bevan, it is only public ownership that can “maintain a high and stable level of employment” (Pearce 1994:17). Childs contends that the insistence of ‘socialists’ on public ownership was because of their goal of redistribution of wealth, rationalization of production, creation of better relations with industry as well as prevention of unemployment (Childs 1993:25; Shaw 1996).

The adoption of Keynesian economics into German social democracy can be demonstrated by examining its policies in the second half of the 1960s. After publicly dropping its Marxist tenets in 1959 with the *Bad Godesberg* Program, the SPD came into the Federal government in a Grand Coalition with the CDU/CSU in 1966. Let alone the Grand Coalition, presented the SPD’s standpoint for the

capitalist system. Throughout the Coalition, the German social democrats extended 'social market economy' of the Christian Democrats.

The examination of the policies employed by the Grand Coalition demonstrates that there was not a rupture from the previous period. Bark and Gress rightly argue that unlike its foreign policy, the SPD's social and economic policies aimed at preserving and expanding "the foundation of the welfare state of the 1960s" (Bark and Gress 1993:151), which has been called as 'social market economy'. The SPD's approach to economic policy is called as 'concerted action' (corporatism) by Schiller, who was the economic minister of the Grand Coalition. In the 'concerted action' "representatives of the government, of employers and labour unions and economic experts" were joined together to discuss economic policy options (Bark and Gress 1993: 84; Leaman 1988: 177).

Social Democracy after WWII came to the point of the realization of social justice ('egalitarian and welfare aspirations of socialism' in the words of Shaw) within 'the capitalist mixed economy'. Social Democracy's mission, in case of Britain, as Shaw argues, were

The fairer distribution of income, wealth and power within the framework of the managed market economy. The prime areas for pursuing its goals lay in the sphere of social policy –education, health, housing, pensions and so forth- but the viability of the whole scheme rested crucially on the Keynesian economic foundation (Shaw 1996:55-56).

The possibility of achieving and maintaining full employment turned to be a significant cause of the formation of social democratic economics. Like Beveridge and Kalecki, Crosland argued that full employment brought significant contributions to the state of workers. He asserted that (quoted from Shaw 1996:53-54) "full employment constituted a basic cause of the shift of economic power away from the business class". Social democrats, according to Shaw, thought that full employment "had profoundly altered the nature of labour relations", and in turn, that "to the extent that 'whoever governs at Westminster, the organized workers will remain the effective power in industry'" (Shaw 1996:53-54).

The elaboration of social democratic economics however, requires the examination of its practices in the 1970s. The examination of the practices raises

questions about the arguments considering Social Democracy as synonymous with Keynesian economics, full employment, public budget spending, planning, and the continuous increase of welfare benefits. The examination is also crucial for envisaging the developments of the 1990s. This thesis claims that the misunderstandings concerning Social Democracy has been caused by not taking into account both the state of domestic and international markets and the response of social democrats to them in the 1970s. Such an examination will demonstrate the change of the policies employed by social democrats in accordance with the conditions within which they operate. The cause of such changes reflects the ideological viewpoint of Social Democracy in favor of Capitalism.

#### **6.6. Social Democratic Economics in the 1970s: Period of Economic Crisis**

The developments within the social, economical and political structure of the developed countries, such as Britain and Germany in the 1970s, have been a turning point for the social democratic consensus achieved after WWII. The developments were within both domestic and international economies, such as the comparatively low ratio of economic growth, the OPEC crisis, and further globalization of, especially the financial, markets. Unlike the economic boom of the 1950s and the 1960s, the 1970s experienced both stagnation and inflation, which is called 'stagflation'. As Leaman argues, the recession of the 1970s was not limited to a short time period. For example, "recession in 1975... persisted in the shape of abnormally high unemployment, constant... inflation, a high levels of bankruptcies right up until the arrival of the next recession in 1981" (Leaman 1988: 216).

The examination of the state of the economies both in Britain and Germany in the 1970s presents that one of the significant characteristics of this period was unlike those in the 1950s and 1960s that, economic growth could not result in employment creation or unemployment reduction. That is to say, that although there was economic growth, there was "no return to full employment" (Leaman 1988:226). For example, while the German GNP rose 12.7 % between 1976 and 1980, unemployment declined 0.8 % (from 4.6 % to 3.8 %) only (Leaman 1988:201, 231). Leaman contends that,

The structural crisis of capital reproduction manifests itself in structural unemployment and high levels of bankruptcy even in years of strong general growth (namely 1976, when despite 5.1 % growth employment levels fell by a further 100 000 over the recession year 1975 and bankruptcies rose from 9195 in 1975 to 9362 in 1976) (Leaman 1988: 206).

Leaman asserts that the growth of employment or the reduction of unemployment did not reflect the growth of GNP in Germany in the second half of the 1970s.

The OPEC crisis, which emerged due to the war between Arabs and Israel in 1973, caused the rise in the OPEC crude oil<sup>9</sup> and became “one chain of events which determined the recession in OECD countries”. The subsequent consequences of the OPEC crisis were “severe reduction of GNP, high unemployment, inflation, low investment, high bankruptcies, etc. which characterized the stagflation of 1974/75” (Leaman 1988:202). These developments, it can be stated, resulted in the rise of pessimism among social democrats regarding achieving or maintaining full employment.

The developments before the rise of the New Right in the 1980s also raised questions about the effectiveness of budget spending<sup>10</sup>. In the late 1970s, as mentioned below, the Labour Prime Minister (PM), Callaghan, explicitly expressed his doubts on the effectiveness of public spending concerning the stabilization of the economy as an anti-cyclical instrument. Another development in the 1970s was the further globalization of financial markets. It should be mentioned that globalization is not a phenomenon of the period after the 1980s. The examination of the state of the markets in the 1960s and 1970s presents that financial markets, although comparatively lower, were already in flow, especially

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<sup>9</sup> Leaman contends that, “the first OPEC oil price ‘shock’ of 1974 is essentially one aspect of a general monopolization of supply which reduced the elasticity of market forces still further in the 1970s. Raising oil prices from \$2.70 per barrel in 1973 to \$9.76 in 1974 was in fact only a partial reversal of the low terms of trade suffered by developing countries for years as a result of the monopolized power of the developed world” (Leaman 1988: 208).

<sup>10</sup> Leaman however, asserts that the assumption regarding “the flexibility and thus effectiveness of state expenditure” is exaggerated. It is public investments that are used as anti-cyclical instrument, and it was less than 18 % of the total budget. For example, the Germany’s 1964 budget allocated 17.8 % (excluding the social insurance funds) for state investments, most of which included “constant (non-cyclical) commitments rather than particular, manipulate to growth”. After 1964, the percentage declines to 15.4 in 1966 (Leaman 1988: 184-185, 286).

in Britain. It was also said that there was fifty billion uncontrolled homeless US dollars in Europe that create instability in financial markets (Shaw 1996: 95). Shaw, however, argues that “the crisis... was essentially a political one” which was used for “dismantling of the Keynesian welfare state”. The conservative attempts have had favorable conditions, which were said to be “the rapidly expanding power of the financial markets” and “the globalization of production” to “re-occupy the lost ground conceded in the post-war decades” (Shaw 1996:140).

The experiences of the 1970s, it can be argued, caused the rise of pessimism among social democrats regarding maintaining full employment. When the German social democrats left office in 1983, for example, the unemployment rate was 9.1 %, which meant 2.258 million unemployed people (Bark and Gress 1993: 283). Like J. Callaghan, the Labour PM of Britain in the late 1970s, H. Schmidt, the PM of Germany, expressed his pessimism: He said that it is not that simple any more to achieve and maintain full employment by increasing spending. They also said that the expansion of public expenditure is no longer possible. Leaman, for example, says that in Germany “the ratio of state debt to gross national product rose from 18.5 % in 1970 to 24.8 % in 1975 and to 37.0 % in 1980” (Leaman 1988: 228).

The optimism of the postwar period concerning achieving or maintaining full employment has turned to pessimism from the mid 1970s, due to the developments mentioned above, such as the unstoppable rise of unemployment. Therefore, the consensus of the 1960s divided into fiscalists, who favor the stimulation of growth and employment by the state and monetarists, who favor the consolidation of budgets and reduction of the dangers of inflation (Leaman 1988:229).

The developments within the economies of the industrialized countries, such as Germany and Britain, found its reflection in social democratic economics. It should be stressed that this is one of the key points to demonstrate the changes within the tradition of Social Democracy after WWII. Social Democracy, as mentioned above, pursued economic policies that reached consensus among the Left and Right-wing parties. These policies served to provide high economic growth and to the materialization of social justice at that time. In other words, as

demonstrated in the case of nationalization as well, it is difficult to argue that social democratic economics has raised radical policies against the general agreement reached for the market economy.

The elaboration of social democratic economics requires the examination of its responses to the economic crises emerged during their governments in the governing period. The examination raises questions about the perception on social democratic economics: whether did social democrats consistently employed similar economic policies? Did these responses contribute to achieving and maintaining full employment? Did welfare benefits continuously and uninterruptedly increase in the postwar period? The examination of the practices of Social Democracy in 1970s would contribute to the elaboration of social democratic economics, and presents the implications for the continuity and change, or discontinuities concerning Social Democracy, as well as those for its viability within the context of globalization.

The examination of the practices presents that the developments, such as the incapability of Keynesian economics for responding the crisis of the 1970s, the increase of the public debts or the inability of government deficit spending, the rise of globalization of, especially financial markets, and the problems of the welfare state led the social democratic governments to adapt (change) their policies to the conditions. It should be mentioned that throughout these developments, Social Democracy was able to contribute to the materialization of social justice, although with different and new policies from the previous decades. As a result, such a finding verifies this thesis that the changes have been under the guidance of social democratic values, such as social justice.

The analysis of the practices of social democratic governments of the postwar period also demonstrates that social democrats employed economic policies that were conflicting with their previous policies. That is to say, that there was deflationist impacts of the policies and unemployment in times of economic crisis. For example, the most radical government of the BLP, in 1947, cut government spending on some social benefits (Pearce 1994: 37; Shaw 1996: 34-35). Such measures were seen in the practices of the Labour governments in the second half of the 1960s. Shaw says that the deflationary policies of the Wilson's

government in 1965 delayed the public sector investment projects (Shaw 1996: 71). Further budget cuts were implemented in 1966. As Fielding argues, Wilson avoided devaluation and so “deflation – which means cuts in spending on social programmes, tax increases and limits on wages - was the favored measures” (Fielding 1997: 78). For the measures of the July 1966, Shaw asserts that,

Growth and the existing levels of employment were sacrificed in an effort to protect the pound ‘faced with a range of options from import controls and defense cuts through devaluations to deflation, they chose to implement the standard Treasury deflationary package that had been used in every economic crisis for the previous ten years – except this time it was more drastic because the situation was worse (Shaw 1996:73-74).

Similar measures were implemented by the BLP governments between 1974 and 1979. The Labour Cabinet approved £3.75 billion cuts in November 1975 (Shaw 1996:131). Burk and Cairncross (quoted from Shaw 1996:136-137) argue that the 1975 package “included reductions in all items of spending – health, transport, housing, food subsidies, defense and so forth - except social security, totaling £2.5 billion for the period 1977-1979. Similar responses are mentioned by Childs: “The Cabinet formally agreed to the measure on 16 November: the devaluation of 14.3 per cent. At the same time, the bank rate went up to 8 per cent and there were to be severe cuts in bank lending” (Childs 1993:193).

The examination of the policy practices of social democratic governments in the 1970s furthermore demonstrates that, social democratic economics started to employ measures other than those of Keynesian economics long before the dominance of the New Right in the 1980s. The adoption of the measures into social democratic economics was present in their governments in the 1970s. While the SPD was in government in all of the 1970s, the BLP was in government between 1964 and 1970, and between 1974 and 1979. The examination of their practices in both countries demonstrates that their responses to the economic crisis of the 1970s envisage their policies in the 1990s. Against the accusation of moving to the position of the New Right (discontinuity), such a demonstration allows us to claim that there have been continuity rather than rupture within the tradition of Social Democracy.

Social democratic leaders in the 1970s came to the conclusion that the policy of government deficit spending was not working as it had been before. For example, as mentioned before Callaghan, the Labour PM (quoted by both Fielding 1997: 101 and Shaw 1996: 134) in 1976 explicitly stressed on the deficiencies of deficit spending:

When we reject unemployment as an economic instrument – as we do - and when we reject also superficial remedies, as socialists must, then we must ask ourselves unflinchingly what the cause of high unemployment is. Quite simply and unequivocally, it is caused by paying ourselves more than the value of what we produce...

We used to think that you could spend your way out of a recession, and increase employment by cutting taxes and boosting Government spending. I tell you in all candors that option no longer exists, and that in so far 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.

Helmut Schmidt similarly said in 1976 that (quoted from Bark and Gress 1993: 290) “we are better able to tolerate an employment rate of 5 % than an inflation rate of 5 %”. According to Bark and Gress, for the SPD government, the inflation rate of 4.6 % is high and therefore it should be kept under control for domestic stability (Bark and Gress 1993:290). Foster, on the other hand, argues that

The practice of the Labour government was tightly restricted by the terms of the post-war settlement negotiated by Keynes between 1943 and 1946. The key element of this settlement was the linkage of the pound to the dollar on terms which enabled the City of London to continue its role as a world banker. This arrangement guaranteed an expansionary world monetary system. But the centrality of the banking role for sterling gave the City a dominant position in economic policy formation. The private institutional owners of capital were largely able to set their own terms in relations with the Government (Foster 1993: 31-32).

Although both Schmidt and Callaghan did not mean a rupture from full employment as a policy goal, their points presents two significant developments: one is that the maintenance of full employment is not an easy task as it had been thought before. The second is that the rise or control of inflation has become one of their primary goals. Social democratic economics, as mentioned above, has not

pursued full employment whatever it costs. Social democratic governments have tried to pursue stable economies, and in times of economic crises, they were able to cut public spending as a response to the crises. Since high inflation may cause instability and in turn more unemployment, which Schmidt and Callaghan believed, the control of inflation becomes significant for a stable economy. Against the accusations directed to Social Democracy that present the changes as the discontinuities within the social democratic tradition after 1980, this thesis claims that the analysis of the changes should keep in mind the ideological standpoint of Social Democracy. Changing its policies in accordance with the conditions is the reflection of this posture. However, the distinction of Social Democracy arises from its principles: changes would be under the guidance of its values. As a result, this thesis states that the analysis of the establishment of Social Democracy should include its principles as well, rather than merely through its policies.

### **6.7. Social Democracy and Keynesian Economics**

The elaboration of social democratic economics requires the critique of its relationship with Keynesian economics. Social democratic economics has been considered as synonymous with Keynesian economics. The examination of the practices of the social democratic governments raises questions concerning the place of Keynesian economics within Social Democracy. The examination, however, demonstrates that the social democratic governments did not solely pursue Keynesian policies in the 1970s. They consciously or unconsciously put into practice policies other than those of Keynesian. Fielding, for example, argues that, despite Crosland's and Gaitskell's consideration of the government as a means of promoting growth, some of their followers by the late 1970s "considered the state as an impediment to economic prosperity" (Fielding 1997:102).

Foster asserts that, "to the extent that by 1950-51 the Labour government had lost any real conviction in the political direction of its policies, it must be largely attributable to the deficiencies of this Keynesian perspective" (Foster 1993: 31). Foster asserts that "as the programmatic basis for a nominally socialist government, Keynesianism had three key weaknesses. Firstly, it saw economic

growth as basically dependent on the subjective motivation of the private investor. Secondly, it gave organized labour only a negative role in this process: as the potential originator of inflation. Thirdly, it provided no way of controlling the quality of investment” (Foster 1993: 31). Similarly, Offe argues that the structural crisis of capital reproduction, which is the problems of savings and investment, has been one of the weaknesses of Keynesian economics and of the welfare state (Offe 1985).

The employment of Keynesian economics by the German social democrats, unlike general belief, was not very long. Leaman contends that, “West Germany’s experiment with Keynesianism was very brief. It clearly did not survive the second recession in 1975 and its demise can be dated either to Schiller’s resignation in 1972 or even to 1969” (Leaman 1988: 187). He furthermore asserts, that “the first important observation about state policy after 1974 was that it was not co-ordinated a la Global Steering. Rather the fiscal policies of the area state authorities were predetermined by the autonomous pursuit of monetary stability by the Federal Bank” (Leaman 1988: 216). For example, he says that,

Attempts by SPD ministers to introduce substantial job creation measures were watered down to a DM 300 million programme to combat youth unemployment (January 1976) and a DM 430 million programme to promote the mobility of the unemployed (November 1976) (Leaman 1988: 226).

The analysis of the state of the Federal Bank also presents that the German social democrats did not strictly stick to Keynesian economics. They were responsible for not taking the Federal Bank under control. Leaman states that after the 1972 general election, the power of the Federal Bank increased and “*the primary role for the management of the economy had passed over to*” it (Leaman 1988: 194). Leaman furthermore asserts that,

The new primacy of the Federal Bank was confirmed by the joint floating of European currencies in March 1973, since it increased the influence of interest rate manipulation and liquidity policies. The autonomy of the Federal Bank was further emphasized by its public announcement in December 1974 of a specific target for money supply in 1975 (of 8.0 per cent), thus severely limiting the latitude for the real

expansion of state expenditure required to counteract the impending recession (Leaman 1988: 195).

This was one of “the weaknesses of West Germany’s national political structures”, along with “the existence of the three independent levels of fiscal authority” (Leaman 1988: 209), which are federal, *länder* and local governments. The autonomy of the Federal Bank, for example, caused that the economic measures against the stagflation of the 1970s had to be deflationist, because the Bank gave priority to the reduction of inflation (Leman 1988: 216). It can therefore be argued that, equating Keynesian economics with social democratic economics is too simplistic especially for the 1970s.

The examination of the policies of the BLP government in the late 1960s, between 1964 and 1970, and between 1974 and 1979, demonstrates that changes occurred in Britain, similar to those in Germany. The Wilson’s governments between 1964 and 1970 were very sensitive to the possible response of the City to the measures to be taken by the government. Wilson (quoted from Shaw 1996: 95) said that, “every action we took had to be considered against a background of the confidence factor, particularly against our assessment of what the speculators might do”. Such findings in the cases of both Britain and Germany demonstrate that policies employed by social democrats can be changed in accordance with the context. Such changes were to be demonstrated through the examination of the policy practices of social democratic governments in the postwar period, especially those in the 1970s.

### **6.8. Social Democracy and Planning**

Like Keynesian economics, economic planning has also been considered as synonymous with Social Democracy. The examination of its practices in the postwar period raises questions about such misconception concerning planning. Shaw says that one of the students of politics studying the Attlee government (1945-1951) came to the conclusion that “planning, in any meaningful sense, played no prominent part in the government’s economic strategy either in the cheap money period of Dalton or the corporate partnership of the Cripps era from late 1947” (Shaw 1996:27-28). Shaw furthermore says that,

The reorganization of 1947 in fact marked a retreat from planning. As a top government adviser recalled, after 1947 ‘we turned more and more to demand-management rather than direct intervention in the allocation of resources’ whilst planning such as it was ‘came increasingly to be expressed in terms of the management of demand in a Keynesian macroeconomic manner in order to counterbalance the natural cyclical behavior of the economy’ (Shaw 1996:28-29).

The plans made by the BLP focused on the improvement of the British industry especially in foreign markets. This involved “intensified and institutionalized collaboration between government and industry”. Shaw asserts, that “this mode of planning did not involve any significant transgression of the market order or business autonomy” (Shaw 1996: 74). For the second half of the 1960s, Shaw furthermore says that, the plan’s “life-span was short and dismal. By the time it was published (in September 1965), it had ceased to be relevant and by the following year its emaciated remains were buried with discreet embarrassment” (Shaw 1996: 75). Callaghan similarly argues that, “Wilson’s speeches referred to the need to induce private industry to co-operate with a Labour government by means of changes in the tax system and the provision of financial incentives” (Callaghan 1989: 38).

The examination of the practices of the social democratic governments presents that Social Democracy in the 1970s adopted the economic policies other than the Keynesian ones. It came to the pessimistic conclusion concerning the deficiencies of the demand management; it experienced the effects of international markets on domestic economies (OPEC crisis), and further globalization of especially the financial markets; and it felt the need of reorganization or reformation of the welfare state due to the limits of welfare spending.

The examination of Social Democracy in the 1990s in the case of the Third Way therefore, has to be carried out with these developments in mind. The practices raise questions on the accusations directed to Social Democracy in the case of the Third Way. Although there exist similarities between their approach to social and economic issues since the 1980s, Social Democracy itself experienced similar developments throughout the 1970s. Against the accusations of moving to the New Right, it can be argued that the study of Social Democracy in the case of

the Third Way should also focus on the differences between their approaches. The analysis of the policies employed by social democratic parties in the 1990s, from this perspective, will further contribute to the demonstration of the continuities within the social democratic tradition or the continuities between the policies of the 1970s and those of the 1990s.

### **6.9. Responding to the Accusations Directed to Social Democracy in the Case of the Third Way**

The accusations directed to Social Democracy in the case of the Third Way base their arguments on the similarities between its policies and those of the New Right. Employment policies and flexibility issues cover the core place within the criticisms debates. It can be argued that the accusations, neither take policy practices of social democratic governments in the 1970s into account, nor analyze the differences between the policies of the Third Way and that of the New Right in the 1990s. This deficiency as stated in the Fourth Chapter has also been caused by their misunderstanding of Social Democracy.

In the light of the examination of the policy practices of Social Democracy in the 1970s, it can be claimed that the policies employed by social democrats in the 1990s reflect the practices. In other words, from the 1970s to the 1990s, there has been continuity within the tradition of Social Democracy. For example, Blair and Schroeder echo Callaghan's speech of 1977: "the ability of national governments to fine-tune the economy in order to secure growth and jobs has been exaggerated" (Blair and Schroeder 2000:162). They furthermore say that, although "macroeconomic policy still has vital purpose to set the conditions for stable growth and avoid boom and bust", it "is not sufficient to stimulate higher growth and jobs", because "supply side of the economy" should be made "adaptable enough to respond". They say that, "in the past, social democrats often gave the impression that the objective of growth and high unemployment would be achieved by successful demand management alone". They therefore contend that "modern social democrats recognize that supply-side policies have a central and complementary role to play" (Blair and Schroeder 2000:168). Therefore, "to achieve higher growth and more jobs in today's world, economies must be

adaptable: flexible markets are a modern social democratic aim” (Blair and Schroeder 2000:168).

It cannot be inferred from the joint statement by Blair and Schroeder that they left out demand management. They state that,

We do not rule out government deficit – during a cycle downturn it makes sense to let the automatic stabilizers work. And borrowing to finance higher government investment, in strict accordance with the Golden Rule, can play a key role in strengthening the supply side of the economy. However, deficit spending cannot be used to overcome structural weaknesses in the economy that are a barrier to faster growth and higher employment (Blair and Schroeder 2000:171-172).

It is significant to mention that their approaches reflect the state of the moderate Keynesians mentioned before. As a result, in the light of such similarities between the social democratic policies of the 1970s and those of the 1990s, it can be asserted, that there have been continuities between the Social Democracy of the 1970s and that of the 1990s. The examination of the difference of the policies of the Third Way from those of the New Right will further contribute to the demonstration of the continuities within the tradition of Social Democracy, as well as to the presentation of the refutation of the accusations considering the Third Way as the continuity of the New Right.

### **6.9.1. Flexibility**

The analysis of the joint statement by Blair and Schroeder, in terms of flexibility in markets, demonstrates that the Third Way is not a continuity of the New Right, but it resembles Social Democracy, especially that of the 1970s. The approach of Blair and Schroeder to flexibility is different from that of Thatcherism. While the Thatcherite approach<sup>11</sup> is limited to the labour market, that of the Third Way includes product and capital markets as well. They say, that to provide business

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<sup>11</sup> Against flexibility, Bentolia presents a significant example: “In this respect, the Spanish case is instructive. The labour market reform of 1984 introduced fixed-term labour contracts with zero or low firing costs, which became very popular with employers, so that they soon reached a plateau of one-third of stock of employees. More than 90% of all hirings are under fixed-term contracts and so, since 1984, even prime-aged workers who lose a job through no fault of their own will typically start a sequence of temporary jobs with intervening spells of unemployment, often without benefits (because of short contributory periods)” (Bentolia 2002:23).

“room for maneuver to take advantage of improved economic conditions and seize new opportunities, product, capital and labour markets must all be flexible; we must not combine rigidity in one part of the economic system with openness and dynamism in the rest” (Blair and Schroeder 2000: 169).

According to Cressey, Labour’s perspective on flexibility is different from that of the Tories. The Thatcherite understanding of flexibility included “numerical flexibility – arrangements such as temporary contracts, fixed period working, sub-contract formats and greater part-time work” (Cressey 2002: 181). Marginson (quoted from Cressey 2002: 181) claims that, contrary to the Tory’s, approach “new Labour is stressing the importance of increasing qualitative flexibility, through training and the acquisition of new skills, so as to make workers more adaptable”.

### **6.9.2. Employment Policies**

The analysis of employment policies of Social Democracy in the case of the Third Way does not confirm the accusations. In their joint statement, Blair and Schroeder stress job creation. To create new jobs, they say that, there is need to decrease the costs of workers to employers by reducing “non-wage labour costs through structural reform of social security systems and a more employment-friendly tax and contribution structure”. For the workers part, on the other hand, they aim at increasing “the after-tax income of workers”. They argue that “successful Welfare to Work programmes raise incomes for those previously out of work, as well as improve the supply of labour available to employers” (Blair and Schroeder 2000: 168).

It should be mentioned that “life-long education” covers a significant place within the employment policies of the Third Way. This is because, as Hombach argues, “the nature of the labour market” changes and this undermines “traditional notions of life-long, full-time employment’ and also ‘the foundation of our social security”. Against this unstoppable change, there is a need to increase the people’s qualifications through “further training and refresher courses” and to “introduce flexible practices in to the pattern of people’s working lifes”, such as part-time and short-time jobs (Hombach 2000: 126). He furthermore argues, that “the

employers' compulsory added costs" should be removed to fight against unemployment or for allowing "the spread of low-paid jobs" (Hombach 2000: 130).

Similar arguments are apparent within the joint statement by Blair and Schroeder. While they state that "part-time work and low-paid work are better than none" (Blair and Schroeder 2000: 174), Hombach says that "any job is better than none" (Hombach 2000: 137), because "they ease the transition from unemployment to jobs" (Blair and Schroeder 2000: 174).

Cressey claims that in terms of job creation and training, there are discontinuities between the Blair government and the previous Conservative governments. The Blair administration has drawn "on other national experiences and some 'Old Labour' sources for inspiration" (Cressey 2002: 171-172). He furthermore argues, that the employment policies of the Labour in the 1970s were 'direct job creation and job subsidies, as well as the development of "passive labour market policies" (Cressey 2002: 175). Comparing with those of the 1970s, according to Cressey, 'the Welfare to Work Scheme' of the Labour in the 1990s presents 'a change in direction for Labour'. The Scheme "includes within it almost all of the four elements of an active labour market policy – mixing subsidies, job-search assistance, training and direct job creation" (Cressey 2002: 179).

For the employment policies of the Labour Party, Cressey furthermore asserts that,

This representation shows a return to direct job subsidies especially as a method of reducing youth unemployment. This is concurrent with emphasis on the supply-side aspects of employability primarily through redressing the inadequacies of the unemployed, training them into appropriate skills in demand, and discerning what labour market employment trends need to be met" (Cressey 2002: 175-176).

Although Cressey states that, there is a change in the approach to full employment, because the Labour "shifts responsibility for employment away from the state having to underwrite full employment and moves it to the individual who by dint of their learning efforts can deal with the dynamics of the labour market" (Cressey 2002: 182), in terms of employment policy, he does not agree with the accusations, as mentioned before, considering the Third Way as a continuity of Thatcherism.

He argues that Blair's approach "shows a return to direct job subsidies especially as a method of reducing youth unemployment" (Cressey 2002: 175-176). Overall, Cressey asserts that,

For Labour there was a full programme of reforms, a number of which were diametrically opposed to Tory policies. It signed up the Social Charter soon after the election, it favored implementation of the European Working Time Directive and it has sought to selectively dismantle some of the more onerous restrictions on trade union activity. In addition, the long awaited national minimum wage would be decided by a newly-created Low Pay Commission. Trade union recognition procedures were to be created and staffs at Government Headquarters were to have their rights to trade union membership restored (Cressey 2002: 183).

The examination of the statements by the advocates of the Third Way in terms of the effects of the welfare state on the reduction of unemployment, it can be claimed, presents that they have raised similar arguments brought by moderate Keynesians mentioned above. Hombach similarly stresses on the dependence on subsidies created by the welfare state. He says that "recent studies show that in its present form the benefits system serves rather to extend than reduce the period of employment" (Hombach 2000: 133).

Although there is no mention of full employment as a policy target, unlike what Offe<sup>12</sup> (2002: 213) and Leaman<sup>13</sup> (1988: 243) claim, it is difficult to say that Social Democracy has abandoned (rupture) full employment from its agenda in the case of the Third Way, because to a greater extent job creation or the reduction of unemployment serve the same goal that full employment does. Schroeder argues that,

The touchstone of the government's actions will be their effectiveness in the field of employment. We shall put every instrument to the acid test whether it guarantees the jobs that are already there and creates new

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<sup>12</sup> Offe states that "Quite symptomatically, the term 'full employment' (which used to be the battle cry of Christian and Social Democrats alike as late as the mid-seventies) has virtually disappeared from the scene of political discourse. Instead, politicians and unions have begun to call for 'more employment', or, increasingly, 'reversing the trend'. Some economists go so far as to declare the only feasible option to be 'slowing down' further increases in unemployment" (Offe 2002: 213).

<sup>13</sup> Leaman says that "there had been a fatalistic theoretical and practical withdrawal from full employment as a primary commitment within the magic square" (Leaman 1988: 243).

ones. That is the first of the five principles that govern our policies (Schroeder 2000:154).

He furthermore says that they will employ radical pragmatism. For that reason there “would be the introduction of a modern employment policy providing for more part-time working, coupled with an education and further training drive designed to lead to higher qualifications” (Schroeder 2000:154).

Hombach’s approach to full employment reflects the pessimism on achieving full employment since the mid-1970s. He argues that,

Taking the social and political situation as it is, full employment can in future only offer a guarantee that no one will be permanently sidelined in the pursuit of his or her chosen career, or be for ever condemned to be unemployed or caught on the fringes of poverty in a poorly paid job” (Hombach 2000: 140).

He therefore says, that,

We need a labour market which may not guarantee a job for life but which facilitates diversification and movement in and out of jobs. The objective is no longer to have periods of unemployment but only periods of adjustment, of retraining and re-qualifying, or of domestic and honorary work” (Hombach 2000: 135).

Hombach draws the responsibility of the state as “not just to guarantee the material well-being” of its citizens, but as promoting and challenging their “abilities and serve of initiative” (Hombach 2000: 136-137). As a result, the differences between the policies of the Third Way and those of the New Right demonstrate the refutation of the accusations directed towards Social Democracy in the case of the Third Way, as its move to the standpoint of the New Right.

#### **6.10. Conclusion**

In this chapter, social democratic economics has been analyzed by giving special attention to full employment. The examination of social democratic economics through its developmental trends has demonstrated the insufficiency of the analysis of the workability of Social Democracy within the context of globalization. Like the case of nationalization, the examination showed that its

policies have changed in accordance with the conditions. These changes were under the guidance of its principles, such as democracy, progressiveness and especially social justice. The causes of the changes, the thesis claims, have been the ideological standpoint of Social Democracy in favor of Capitalism.

The policy practices of social democratic governments in the 1970s present the orientation of the policies of the postwar after 1980. In other words, the examination of the practices of social democratic governments has shown that there occurred changes within the context of the 1970s. These changes were gradual adoption of early forms of monetarist policies, such as accepting independence of Central banks, due mainly to the deficiencies of Keynesian economics. Social democrats also came to the pessimistic belief that increasing welfare expenditures would be a very difficult task to accomplish. Bearing in mind the rise of the new social movements and the developments within social structures, then Social Democracy in the 1980s has entered a new period, which is called the adoption period in this thesis.

The examination of social democratic economics in this chapter also demonstrated the over-simplistic analysis of Social Democracy by its criticisms; as its move to the position of the New Right. As shown above, there has been continuity between the policies employed by social democrats in the 1990s and those of the 1970s. In other words, considering the policies of the 1990s as those of the New Right would be an oversimplification, because to some extent, early forms of these policies were adopted by social democratic governments in the 1970s. Under the conditions of the 1970s, social democrats came to the (pessimistic) belief that their policies are inadequate for the materialization of their objectives, such as achieving high economic growth, increasing/sustaining welfare expenditures, and achieving/maintaining full employment through steering the economy state expenditures. Their oversimplification was also presented by examining the difference between employment policies of Social Democracy, in the case of the Third Way, and those of the New Right. The approach of social democrats to flexibility is different from that of the New Right as well.

The difference between them will be further shown in the following chapter on social justice by comparing their contributions to the welfare expenditures

through examining the outcomes of the policies of the Thatcher/Major (CP) governments and those of the Blair (BLP) governments. The following chapter will allow us to present the significance of the principles, such as social justice, for the analysis of Social Democracy. As mentioned above, the policies employed by social democrats have been changed in accordance with the conditions under the guidance of its values. Under these arguments, it will be claimed that the analysis of the viability of Social Democracy should also focus on the continuity of the guidance of its social justice value. Such a focus on social justice in the following chapter will demonstrate the continuing potential of Social Democracy within the context of globalization.

## **CHAPTER SEVEN**

### **SOCIAL JUSTICE: GUIDING PRINCIPLE OF SOCIAL DEMOCRACY**

In the last three chapters, against accusations of having experienced ruptures, the continuities and changes within the tradition of Social Democracy have been examined. Against the accusations, I have argued that their analysis of Social Democracy has been carried through misunderstandings, such as that it aimed at abolishing the market economy, that it was a working class ideology, and that it neglected the individual. I have also claimed that their analysis of Social Democracy merely through its policies or party politics would be insufficient, because the examination of its developmental trends demonstrated that Social Democracy has changed its policies in accordance with the conditions. The changes however, have occurred under the guidance of its principles, such as democracy, progressiveness (movement) and social justice. The changes have been consistent with its ideological standpoint in favor of Capitalism. The examinations of the nationalization policy and social democratic economics, including full employment, verified this thesis. Having demonstrated the deficiency of the analysis of Social Democracy merely through its policies, in this chapter, as a defining characteristic feature of Social Democracy, social justice will be examined. The examination of social justice will allow us to verify the continuing viability of Social Democracy within the context of globalization.

#### **7.1. Introduction**

In this chapter, social justice, as a constituting element of Social Democracy, will be examined throughout its three periods. Against the criticisms' analysis of the workability of Social Democracy merely through its policies within the context of

globalization, its viability will be analyzed through its social justice value. As demonstrated through the examination of its perspective on nationalization and of its economics, Social Democracy has employed policies that were able to contribute to social justice. The policies however, have changed in accordance with the context. Such a characteristic of Social Democracy is consistent with its ideological stance. This characteristic allows us to argue that *Social Democracy is an ideology/movement pursuing social justice within Capitalism*. This definition entails that the analysis of its potential viability within the context of globalization should include its social justice principle.

The examination of social justice will be carried through the comparison of the last two periods of Social Democracy: the *governing period*, and the *adoption period*. The governing period is offered as the elaboration of the ideological standpoint of Social Democracy. In this period, social democratic parties were able to come to power in various European countries, and put their policies into practice. The analysis of the policies and their outcomes would contribute to the demonstration of what Social Democracy meant by social justice, or by the ‘transformation’ of Capitalism, or their understanding of ‘Socialism’. Throughout the analysis however, the social democratic perspective on the concept of social justice before WWII will also be touched for further disclosing of the concept from its perspective.

Equality has been one of the distinctive concepts raised by the ideologies on the Left. What the leftist ideologies mean by equality however differs. It can be argued that, especially after WWII, Social Democracy did not promote economic equality among all citizens. Due to the difference of its understanding of equality from that of both Liberalism and of Marxism, it is called social justice. In other words, Social Democracy has allowed the existence of some inequalities to some extent; it has not aimed at the complete abolition of inequality, as one promised by Marxism, that will be exercised in the Communist system in an undefined future. Therefore, for the examination of the social democratic perspective on equality, this thesis offers the concept of social justice.

The examination of social democratic conception of social justice will be carried through the analysis of the documents of social democratic parties, such as

the BLP and SPD, as well as through the outcomes of their policies during their governments. Through the analysis of the documents the degree of the stress on the concepts, such as equality and equal opportunity, and the policies offered for achieving them will be looked at and compared with those after the mid-1990s. The policies employed by social democratic governments will also be examined through both their initial aims and achievements. Before concluding, the policies and measures offered for the materialization of social justice within the context of globalization, global justice, will be studied to examine the establishment of Social Democracy within the context. Before going into the analysis of social justice through the developmental trends of Social Democracy, the social democratic conception of social justice is comparatively analyzed.

## **7.2. The Social Democratic Conception of Social Justice**

Before starting the examination of the concept of social justice in the social democratic tradition, it should be mentioned that it is difficult to find its proper or any definition of it, made by social democrats. There has not been mentioned a degree of equality that Social Democracy pursues as an end. It seems as an ambiguous concept. Therefore, the concept will be derived from the examination of the policy outcomes of social democrats governments.

In the light of the examination of the social democratic practices, however a definition of social justice can be offered as follows: *social justice for Social Democracy connotes to comparatively better equal opportunity or lesser inequality in economic terms in given circumstances*. Moreover, it can be argued that in congruence with the reformist viewpoint of Social Democracy, the materialization of social justice has been through ‘incremental’ reforms, rather than through ‘radical’ policies. The examination of the approach of other ideologies to equality will contribute to the elaboration of the social democratic conception of social justice.

West categorizes the criticisms against the welfare state and social justice from the Right into four: “political philosophy – moral critique -, socio-cultural critique, economic critiques and political process”. “At the level of political philosophy”, according to West, the Right argues, that there is “no such thing as

social justice”, because it does not have philosophical basis. Attempts or measures to bring social justice will be unjust because of the fact of “inviolable (sometimes natural) private property rights” (West 1998: 233). Minogue, for example, considers social justice as “an idea without a precise referent” (Minogue 1998: 253). It is “abstract and universal”; its universalism is “often formulated in terms of rights” (Minogue 1998: 254).

At “the social-cultural level”, according to the Right West says, social justice “erodes individualist or ‘Victorian’ values of self-reliance, responsibility, enterprise and the work ethic”, which “causes increased dependence on the state”. The negative impacts of these levels on the economy, from the perspective of the Right, are unavoidable; the third level, because the finance of the welfare state will absorb “resources from more productive and profitable private investments” by increasing taxation (West 1998: 233-234). At the last, the political level, the welfare state through public sector unions, and bureaucracies will “promote ineffective or even counter-productive welfare programs in their own interest as providers rather than for the sake of their clients,” and thus there emerges the “crisis of governability” (West 1998: 233-234).

West also mentions that there have been two strands of criticisms from the Left: ‘traditional socialists’ and ‘new politics’. The traditional socialists, according to West, argue that the welfare state or social democratic principles would cause ‘incomplete realization’ of ‘socialist’ principles. According to this group, West says,

In the stubborn persistence of material inequalities and elusiveness of real equality of opportunity, attempts to guarantee equal opportunities through access to health, education and housing have reduced but certainly not eliminated inequalities in life chances, health and longevity (West 1998: 234-235).

Furthermore, this group contends that, “the success of the welfare state may ultimately serve to erode its social and political bases of support. The beneficiaries of welfare are liberated into an individualist lifestyle and, in some cases, delivered to the conservative cause”. The second strand of the Left, which is called an anti-statist one, focuses on “bureaucratic and statist forms of socialism” (West 1998: 234-235).

The elaboration of social justice from the social democratic point of view requires its comparative analysis with that of Liberalism. This is significant because there are powerful arguments raised, even by early social democrats, such as E. Bernstein and T.H. Tawney, as to be analyzed below. They considered 'Socialism' (Social Democracy) as a true heir of Liberalism; or, as the extension of equalitarian politics beyond negative freedoms, including equal opportunity.

Social democratic conception of social justice, according to Schumacher et al., is different from that of the liberal one. The liberal conception is limited with equal opportunities for individuals for achieving their goals. Although equal opportunity has been considered as significant, it should include, according to Social Democracy, "more equal social and economic conditions for all" (Schumacher et al. 1996: 294-295). It can be argued that, although Social Democracy employs the concept of equal opportunity raised by Liberalism, it promoted the extension of the concept beyond Liberalism's negative approach to the content with positive. Equal opportunity should not stop at the legal level, but it should include the condition at the social and economic level to some extent.

The social democratic argument for the extension has been that the individuals must be provided some conditions, including education, health and social minimum. These social provisions are seen as necessary for people in the lower income group, especially for their children for having equal life chances, that is, to rise in the social ladder, for providing abilities to be able to have a good job. Social democrats, such as Tawney, argued that without such provisions there should not be talk of equal opportunity even in the liberal sense of the concept.

Like the emphasis of early social democrats on the positive side of the concept of social justice, there can be found a similar stress among late social democrats, such as D. West. West argues that "merely formal negative and political freedoms (and corresponding civil and political rights) are systematically undermined, and may even be rendered worthless by social and economic inequalities". Thus, there should be 'effective freedom,' which "requires so-called 'positive' rights". That is to say, that there should not only be "the enforced absence of interference by others, but also the active transfer by government of economic resources to relatively deprived social groups". He asserts that,

“effective freedom<sup>1</sup> implies social welfare rights and *social justice*”, because it “extends the notion of justice beyond the politico-legal into the economic or productive sphere” (West 1998: 239-240).

The elaboration of the concept of social justice from the social democratic perspective should include the examination of the limits of equality, which will also demonstrate its difference from that of Marxism. Schumacher et al. contend that ‘socialists’ (social democrats) accept some inequalities arising from “superior individual virtues and contributions to the community”, and “greater industriousness and skills” (Schumacher et al. 1996: 294-295). They therefore assert, that the viewpoint of Social Democracy on equality is not “equality of conditions”, or “equal distribution of all goods” (Schumacher et al. 1996: 310-311, 312). It can furthermore be argued, that Social Democracy not only was against “equality of conditions”, as to be demonstrated below, but saw such distribution as “a cause of despotic governments’ (Schumacher et al. 1996: 310-311).

As mentioned before, Schumacher et al. argue that “socialists (social democrats) seek ‘social justice’, but they are reluctant to describe any particular distribution of economic and other social goods as just” (Schumacher et al. 1996: 309). They argue that,

No particular distribution of goods would conform to socialist ideals. Instead, the precise characterization of social justice ‘would remain perpetually ambiguous, open, flexible, debatable, a moving horizon that is never quite reached, irreducible to either economic formula or legitimate final solution (Schumacher et al. 1996: 312).

It should therefore be argued, that the social democratic understanding of social justice is not a mere reflection of the liberal conception of equal opportunity. It is based on positive rights. As a result, it can be claimed that the statement of Social Democracy on equal opportunity can well be called as *positive equal opportunity*, which stresses its inclusion of positive social and economic rights.

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<sup>1</sup> West says that “whereas negative freedom is classically understood to imply economic laissez-faire, the notion of effective freedom justifies government regulation of the economy, including for example legal protections for both employees and consumers, government measures of redistribution, welfare provision and so on”. (West 1998: 239-240).

Another point that requires examination is the reasons raised by social democrats for pursuing social justice. It is a very widely accepted argument that Social Democracy is a working-class-based ideology, and in turn, its demand for social justice is a class-based one. The examination of the social democratic perspective on social justice however, does not verify this argument. That is to say, that for social justice there can be found individualistic or humanitarian reasons raised by social democrats. Schumacher et al. argue that its principle is that “every human being is respected as a human being, and no one is treated as a means to the goods of others” (Schumacher et al. 1996: 312). It can therefore be argued that such a remark confirms the arguments seeing Social Democracy as an heir of Liberalism.

There we come to the documents of social democratic parties, of which can be considered as the reflection of their conception of social justice, and used for the interpretation of its meaning for Social Democracy. Plant, for example, argues that traditional social democratic approach to social justice focuses on tax and benefits and the provision of social services has been “linked to plausible policies for economic growth” (Plant 1998: 281). The welfare state has therefore, been conceived as a significant indicator both for the elaboration of social justice in the governing years of Social Democracy and for its viability within the context of globalization.

Scharpf’s definitions of social justice are based on the types of the welfare states, and therefore, he makes three definitions of social justice in accordance with Esping-Anderson’s categorization of welfare states into three. Social justice in Britain or in ‘Beveridgean welfare state’, “means equal opportunities and the support of basic needs, but should not interfere with the culture of self-reliance”. The Beveridgean welfare state is based on “the universal availability of basic income support in times of need, plus universal access to quality education and health care to ensure equality of starting conditions in a competitive economy and labor market” (Scharpf 2005: 11)<sup>2</sup>.

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<sup>2</sup> Scharpf says that “beyond that, individuals and families are expected to fend for themselves and to rely on their own resources for income support above the level of basic need in periods of unemployment, sickness and in old age” (Scharpf 2005: 11).

The welfare state in Germany is defined by Scharpf as a 'Bismarckian' one. In the Bismarckian welfare state, social justice, which has been "work-based social insurance systems", came to mean "health, disability and pension insurance for the working man and his family" (Scharpf 2005: 11-12). The welfare state in Germany is also conceived as the corporate one, due to the active participation of both employees and employers in the management of the welfare services.

The Scandinavian model, on the other hand, has based on universal principle applied to "the labour market... economic and societal arrangements". Social justice in the Scandinavian welfare state has come to surface as the "good" job in the primary labor market; and in order to realize this goal for women as well, the state assumes responsibility for most of the caring functions that were traditionally performed by mothers, wives and daughters in the family". In the Scandinavian welfare state, Scharpf asserts that

To further equality between men and women, employment conditions are required to be compatible with family responsibilities, and arrangements for parental leave are more generous when claimed by fathers as well. At the same time, income differences are reduced through the solidaristic wage bargaining of unions and through very high and steeply progressive income taxes. Social justice, in other words, means social equality (Scharpf 2005: 11).

It may be because of its universal characteristic, that the Scandinavian welfare state is called a social democratic one by Esping-Anderson (1996).

Scharpf also states that, the "post-war European Social Democracy is still bound to the promise of achieving socialist goals" by the way of "democratic means and within the context of capitalist economies". After dropping the nationalization of production, the devotion of European Social Democracy turned to be those of "egalitarian social inclusion through participation rights for organized labor, effective full employment policies, universal education, universal health care, and a redistributive welfare state" (Scharpf 2005: 1).

It can therefore be argued, that the definition (or boundaries) of social justice is closely related to the welfare state<sup>3</sup> in the governing years of Social

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<sup>3</sup> The welfare state is taken as the totality of social, political and economic policies of the social democratic political parties. That is to say, that either full employment or nationalization is constituted the term welfare state.

Democracy. Through the bargain between employees and employers or between capital and labour, social democratic parties in Europe promoted welfare policies as the ‘transformation’ of Capitalism. In other words, welfare policies were presented for reducing inequalities or contributing to the materialization of equality, social justice.

The standpoint of Social Democracy on social justice will be demonstrated in Britain through the examination of the practices and policy outcomes of the Labour governments between 1945 and 1951, an aftermath of it, and in Germany, through the analysis of the *Bad Godesberg* Program of the SPD starting with the *Dortmund* Program in 1952/54. As demonstrated below, by examining either of their programs - election manifestos or the policy outcomes of their government, it can be argued that the materialization of social justice was sought by social democrats within the confines of the welfare state, for which economic growth was seen as significant.

Making a definition of social justice through the welfare state does not mean that Social Democracy is limited to the welfare state. Such a definition is offered for the elaboration of the ideological standpoint of Social Democracy through its conception of social justice by including the policy outcomes of social democratic governments. Such an approach will demonstrate the extent of the continuity of the policies employed by social democratic parties, within the context of globalization and within the tradition of Social Democracy. Before going to the examination of the policies within the context, the social democratic conception of social justice will be analyzed through its three developmental periods.

### **7.3. Social Justice in the Formation Period**

It should firstly, be said that in the *formation period*, both in Britain and in Germany, the approach of Social Democracy to ‘equalitarian politics’ focused on the political sphere. Even in the formation years, the reasons raised for equality, or social justice, was not only the demands for the working-class, but equal treatment of all human beings. The examinations of the writings of both R.H. Tawney, in Britain, and E. Bernstein, in Germany, in terms of their approach to social justice

will contribute to the elaboration of the social democratic conception of social justice.

Although it is difficult to find what Bernstein understood by equality or social justice, since he was not interested in the goals of Socialism as mentioned in the Second Chapter, the concept of egalitarian politics will be derived from his writings. It can first and foremost be said, that Bernstein can be considered within the category of reformists. Tudor argues that, according to Bernstein, “the ‘victory of socialism’ might well be accomplished by the steady implementation of socialist principles through legislation and institutional reform”. For Bernstein, “the question of tactics was, in other words, a question of assessing present circumstances with a view to determining what could be done by way of implementing the ‘general principles of Social Democracy’” (Tudor 1993: xxviii-xxix). More importantly, according to Tudor, Bernstein “was careful to insist that, by ‘socialism’, he did not mean the communist ideal entertained by certain elements of the radical left” (Tudor 1993: xx). The incremental establishment of ‘Socialism’ is the first, but not the last or the entire characteristic of Bernstein’s theory of ‘Socialism’.

Another significant characteristic of Bernstein’s theory is the connection he established between ‘Socialism’ and Liberalism. According to Bernstein, ‘Socialism’ is both historically and intellectually the true heir of liberalism. He moreover stated that, any manner endangering the development of freedom should be put aside without hesitation. Bernstein asserted that for Social Democracy the defense of liberty has always taken “precedence over the fulfillment of any economic postulate” (Bernstein 1993: 147). This argument that established the connection between Social Democracy and Liberalism becomes more significant considering the misunderstandings that carried by its criticisms, including that of the advocates of the Third Way, such as A. Giddens, as seeing Social Democracy as weighing community over individual, or conceiving it as a working-class ideology.

Bernstein’s approach to both the right to work and social care are demonstrative for the derivation of the concept of egalitarianism from his ideas. According to Tudor, Bernstein as mentioned in the Fourth Chapter as well, found

nonsense in the extension of social care, “to the point where the individual was completely relieved of any personal responsibility for his own welfare”. Bernstein argued that,

Simply to demand state maintenance for all the unemployed means giving, not only those who cannot find work, but also those who refuse to look for work, access to the public through... We want to maintain the basic principle that the modern proletarian is indeed impoverished but that he is not a pauper. There is a whole world in this distinction; it is the essence of our struggle, the hope of our victory (Bernstein 1993: 161).

Bernstein considered ‘Socialism’ as entailing the extension of “the individual’s control over his own circumstances, and this meant ‘the implementation of cooperation across the board’” (Tudor 1993: xx-xxi). It can therefore be claimed, that the criticisms raised against the responsibility of individuals, stressed since 1980, should bear into mind this argument of Bernstein. That is to say, that this argument is not a new one raised after 1980, rather it is an argument that can be found in the theories of early social democrats; and also it cannot be taken as an indicator of discontinuity that Social Democracy has experienced since 1980.

Bernstein, like Tawney, contended that ‘Socialism’ should focus on the rise of production, because the confiscation of private property, and the division of the ‘social surplus product’ among one or ten million, would not improve the conditions of the working class (Bernstein 1993: 61-62). Bernstein’s this remark reminds the stress on the economic growth for the improvement of social justice by social democrats in the postwar period.

Writing in the 1930s in Britain, R.H. Tawney argued that the reason for equality is “everyman’s uniqueness without regard to the vulgar irrelevance of class and income” (Titmuss 1971: 15). His reason for social justice was “because men are men”, “to emphasize and strengthen, not the class differences which divide, but the common humanity which unites, them” (Tawney 1971: 48-49). This argument, it can be argued, is a significant point that even in the *formation period* the demand raised by social democrats for social justice was based on the humanitarian reasons rather than the working class reasons.

Developing his point of view concerning equality, Tawney criticized the approach of Liberalism to equality. According to Tawney, although Liberalism had been significant for the development of equality, such as equalization of legal rights, it was not enough; because Liberalism did not attack all forms of inequality. He said that, “it condemned the inequalities of the feudal past; (but) it blessed the inequalities of the industrial future” (Tawney 1971: 101-102). He asserted that “if arbitrary contrasts of circumstance and opportunity are one form of inequality, they are not the only form. There is an economic, as well as social, stratification; a hierarchy of industry and labour, as well as of leisure and enjoyment” (Tawney 1971: 158, 179). Tawney’s approach, in sum, stresses the extension of the liberal conception of equal opportunity. That is to say, that he argued that equal opportunity should include social provisions.

Tawney’s critique of the liberal conception of equal opportunity was based on the reasons for its inclusion of positive social and economic rights. Unless people “have equal access to... light, fresh air, warmth, rest, and food” those are “equally necessary to all her children”, according to Tawney, “they can hardly be said to have equal rights, since some of them will die before rights can be exercised, and others will be too enfeeble to exercise them effectively” (Tawney 1971: 136). Education, thus, was considered by Tawney as a significant measure for equality, because “it is the barbarous association of differences of education opportunity with distinctions of wealth and social position” (Tawney 1971: 142). He therefore argued that “social institutions – property rights, and the organization of industry, and the system of public health and education - should be planned, as far as it is possible” (Tawney 1971: 48-49).

It can be stated that the ideas of Tawney concerning social justice might be called as *positive equal opportunity*. Without the existence of ‘equality of circumstance’, Tawney indicated, “opportunities to rise must necessarily be illusory”. He asserted that “a high degree of practical equality is necessary to social well-being, because without it ability cannot find its way to its true vocation”, as well as for the provision of “different powers”, which “is even more important to provide for common needs” (Tawney 1971: 107).

Tawney also stressed on the consequences of inequality. Inequality causes democracy unstable, because “while it pampers some, it vulgarizes and depresses some others” (Tawney, 1971: 30, 33). This reminds Pogge’s argument, mentioned below, considering poverty as a cause of the continuity of oppressive regimes in developing countries, for which the developed countries have been responsible as well.

According to Titmuss, the approach of Tawney to equality covers social, political and economic areas. He argued that Tawney was concerned

With fundamental equalities before the law; the removal of collectively imposed social and economic inequalities; the equalizing of opportunities for all to secure certain goods and services; the education of all children to make them capable of freedom and more capable of fulfilling their personal differences; the enlargement of personal liberties through the discovery by each individual of his own and his neighbor’s endowment (Titmuss 1971: 15).

It should be stressed that Tawney did not argue for the *equality of conditions*. Although he said that “the working-class movement stands for ... the ideal of social justice and solidarity” (Tawney, 1971: 40), like other social democrats, he accepted the existence of some inequalities (Tawney, 1971: 48-49). According to Tawney, “a society which values equality” would attach “a low degree of significance to economic and social differences between groups”, but it would “attach a high degree of significance to differences of character and intelligence between different individuals” (Tawney 1971: 58).

Tawney raised a limit to the extension of social wage or the minimum income level. He argued that, its limit, which is obvious, will be “at the point where measures to protect the individual from being crushed by a contingency, when it occurs, become liable to be used by the State as a lazy substitute for the attempt to prevent the contingency from occurring” (Tawney 1971: 147-148).

The measures for the achievement of social justice, Tawney stated, were social provisions<sup>4</sup>, progressive taxation, trade unionism, industrial legislation and

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<sup>4</sup> He said that, “it should be adequate in amount, but its use should be discriminating, and, the more it increases, the greater the need for discrimination becomes. For the risks of life are of various kinds, and, if social provision is to be applied on the necessary scale to purposes for which it is appropriate, it must not be lavished on those which, however urgent in themselves, require treatment of different type” (Tawney 1971: 147-148).

public services (Tawney 1971: 119)<sup>5</sup>. The “extension of social services and progressive taxation”, according to Tawney, would “mitigate disparities of opportunity and circumstances” to be “applied to purposes of common advantage”. The development of public services would “secure for the public or the consumer all profit above a minimum rate of interest, and transfer the direction of economic policy from the hands of capitalists and their agents to those of an authority responsible to society”. The development of trade unionism and industrial legislation, in addition, would “set limits to the ability of one group to impose its will, by economic duress, upon another, and thus soften inequalities of economic power” (Tawney 1971: 119).

Tawney contended that the development of health and education would cause “the most shocking of existing inequalities... to disappear” (Tawney 1971: 149). By employing the measures mentioned above, he said, the “inequalities of income would not continue in such conditions to be, either in magnitude or kind, what they are at present”. Such measures as “the diminution of large incomes by means of taxation... the removal of special advantages and adventitious disabilities arising from the unequal pressure of the social environment” would diminish inequality “both directly and indirectly”. Even “inherited wealth... would lose most of the importance, which it has today” (Tawney 1971: 149).

There can be found one of the significant measures raised after the WWII for the improvement of the welfare state or of social justice in the ideas of Tawney. Like Bernstein, he asserted the significance of economic growth for the improvement of social justice. He argued that

Equality is to be sought, not by breaking into fragments the large incomes which are injurious both to those who receive them and to those who do not, but by securing that an increasing proportion of the wealth at present they absorb will be devoted to purposes of common advantage (Tawney 1971: 120, 122, 124).

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<sup>5</sup> Tawney argued that, “the principal lines along which this advance has taken place are four. The first is expenditure on the improvement of the environment; the second, the development of free services; the third, the creation of supplementary sources of income; the fourth, progressive taxation. The first and second were in their infancy when Spencer wrote; the third (if the Poor Law be expected) and the fourth did not yet exist” (Tawney 1971: 132).

Economic growth or the increase of production, as mentioned in the Fourth and Sixth Chapters, would come to the centre of the measures for improving social justice in the postwar period.

A similar approach to equality or social justice, like that of Tawney's can be found in the election manifestos of the BLP before WWII. The BLP's election manifestos before WWI raised elements of the welfare state to be established after WWII, such as 'medical treatment for school children', 'sickness insurance', 'Poor law reform', 'the right to work' (January 1910 BLP Election Manifesto, 2000: 12-13), 'old-age pension' and 'better housing' (December 1910 BLP Election Manifesto, 2000: 14-15). These issues would constitute the core of the services of the welfare state to be developed in the postwar period.

The concept of social justice first appears in the 1918 manifesto with no definition. However, the manifesto stressed on the 'extension of liberty and democracy in Europe', 'land nationalization', 'a substantial and permanent improvement in the housing of the whole people', progressive direct taxation, 'the immediate nationalization and democratic control of vital services, such as mines, railways, shipping, armaments, electric power; the fullest recognition and utmost extension of trade unionism' and 'equal rights for both sexes' (1918 BLP Election Manifesto, 2000: 16-18). The manifesto was called as a 'programme of social justice and economic freedom' which would be carried out 'by constitutional means' and 'founded on permanent democratic principles' (1918 BLP Election Manifesto, 2000: 18).

In the 1923 manifesto, it was said that the labour policy "will give to every child equality of opportunity in Education; it will make generous provision for the aged people, the widowed mothers, the sick and the disabled citizens" (1923 BLP Election Manifesto, 2000: 25). In the 1924 manifesto, there appeared the term transformation:

It is along such lines as those marked out in the Appeal, and in the spirit of public service herein indicated, that the Labour party, in conformity with its consistent public declarations, would work in Parliament towards the *transformation, gradual as it must, of the existing economic and industrial system* into a genuine Commonwealth of Labour... We have faith in humanity. We refuse to believe that there is nothing to be done but conserve the present order, which is disorder; or that the

misery, the demoralization and the ruin that it causes to innocent men and women and children can be remedied by the perpetual repetition of the abstract principles of individualism” (1924 BLP Election Manifesto 2000: 31).

The examination of the first program of German social democracy, the *Eisenach* Program of 1869, demonstrates that both the principles and urgent demands of the German social democrats were in line with the achievements after WWII, which is the welfare state. These demands included political rights and freedoms, the abolition of class privileges, rising progressive direct taxes, and abolishing indirect ones and free services in public schools (*Eisenach* Program in Kavukçuoğlu 1998: 17-20). Similar demands were raised in the *Gotha* Program in 1875 (*Gotha* Program in Kavukçuoğlu 1998: 23-24). The program focused on the development of democracy; there is no mention of the equality of conditions.

During the formation period both in Britain and in Germany, the viewpoint of Social Democracy as a reformist ideology to equality/social justice was not as radical as it has been thought. It should firstly be mentioned that the focus of social democratic politics in this period, like other leftist ideologies, was the extension of civil and political rights and freedoms to all people, especially to workers, relative to that of social and economic rights, which rise the positive part of the term. The social and economic rights would be supported by the rise of Keynesian economics, and they would come to the centre of social democratic politics after the near-establishment of democratic regimes through the end of WWII.

Social Democracy/‘Socialism’ itself was seen as the heir of Liberalism. Especially the British social democrats emphasized the support of equal opportunity with some social provisions. That is to say, that by rising ‘equalitarian politics’ they did not argue for equal circumstances for all people, but some degree of inequality was seen as acceptable. The measures for achieving social justice were free services, such as education and health, and social benefits for the poor, which were similar to those established after WWII through the welfare state. To place its difference from the liberal conception of equal opportunity, the social democratic understanding of equal opportunity might be called *positive equal opportunity*.

#### **7.4. Social Justice in the Governing Period**

The examination of the governing years of Social Democracy, which was between 1945 and 1980, will contribute to the elaboration of the social democratic conception of social justice, as well as to the viability of Social Democracy within the context of globalization. That is to say, that the analysis of its formation or of the continuities and changes or discontinuities within its tradition after 1980, should be carried out through comparing the materialization of the social justice principle in its *governing period* with that of its adoption period, especially since the mid-1990s. This is because, it is governing years there can be seen when and how Social Democracy governed within Capitalism. In other words, the policies employed by social democrats can be taken as the demonstration of their ‘transformation’ of Capitalism towards ‘Socialism’ by their conception of social justice. These policies, as well as their outcomes can be conceived as the materialization of social democratic conception of social justice.

The examination of the election manifestos and programs of social democratic parties in the postwar period will contribute to the elaboration of the social democratic conception of social justice. The outcomes of their policies while in government will be examined as well. The context of the postwar period, in which there was a consensus on social democratic politics, should also be kept in mind through the examination.

By the end of WWII, there had emerged a widespread agreement over establishing a welfare state in the developed countries. Hill rightly argues that when the BLP came into power in 1945, “the main battle over the development of the welfare state was more or less over”. First of all, already “many key interventions had occurred in the period between 1906 and 1939”. Then, the Beveridge report was approved by the war-time government established by the British Labour Party (BLP) and the Conservative Party (CP), although there was some opposition within the latter (Hill 1993: 8). Moreover, after the BLP had left office in 1951, there was continuity in social policy rather than “significant social policy change” during the CP’s governments between 1951 and 1964 (Hill 1993: 46).

Bearing in mind this agreement on the welfare state, the BLP won the first general election in Britain by the end of WWII in 1945. The Labour then started to build a welfare state through the white papers prepared during WWII, such as the one prepared by Beveridge, on social security and full employment. The Labour manifesto for the 1945 elections stressed on the welfare state, including full employment, and nationalization of some industries. It was said that,

Socialism is not bread alone. Economic security and freedom from the enslaving material bonds of capitalism are not the final goals. They are means to the greater end – the evolution of a people more kindly, intelligent, free, co-operative, enterprising and rich in culture. They are means to the greater end of the full and free development of every individual person (1950 BLP Election Manifesto, 2000: 63).

The emphasis on economic growth, the rise of production, not only for the improvement of, but also for the maintenance of the social and economic system the BLP established between 1945 and 1950, was considered significant (1950 BLP Election Manifesto, 2000: 65).

In the 1951 Election manifesto, social justice was given a special part. It firstly emphasized the difference created by the labour governments between 1945 and 1951 compared with those before WWII. Then, it drew the welfare state of the period with characteristics such as social security, national health scheme, pensions, income redistribution, housing and taxation. Afterwards, it went on to pressing “forward towards greater social equality and the establishment of equal opportunities for all” (1951 BLP Election Manifesto, 2000: 77-78). Similar emphasis was present in the 1959 manifesto as well (1959 BLP Election Manifesto, 2000: 92). It can therefore be argued that, through the late 1950s, *British social democracy focused on the welfare state for the materialization of social justice.*

In the 1970 Manifesto, it was argued that

The widening and extension of education is the best preparation that we can make for our people and our country for the world of tomorrow. Investment in people is also the best way of developing a society based on tolerance, co-operation, and greater social equality (1970 BLP Election Manifesto, 2000: 165).

In the light of the examination of the election manifestos of the BLP in the postwar period, it can be asserted, that the rise of production took a significant place within the improvement of social justice. That is to say that not only maintenance of, but extension of social justice, or of the welfare state, was based on economic growth as well. In the 1959 Manifesto against Tory allegations, it was stated that the expansion of welfare services would be carried out by both the rise of production and planned expansion, but not by increasing taxes (1959 BLP Election Manifesto, 2000: 95). In the 1964 Manifesto, it was said that “National Insurance benefits will be raised and thereafter linked to average earnings so that earnings rise so too will benefits” (1964 BLP Election Manifesto, 2000: 117).

In the 1959 Election Manifesto, it was asserted, that, like their policies, the socialist ethics of the Labour Party “is based on the Socialist belief in the equal value of every human being... in the struggle for social justice and human rights” (1959 BLP Election Manifesto, 2000: 101). The limits of social justice in the postwar period was to meet ‘basic needs’, which the British social democrats believed that society can at that time afford (1970 BLP Election Manifesto, 2000: 156).

The analysis of the February 1974 Manifesto as mentioned in the Second, Fourth, Fifth and Sixth Chapters before, which was written under comparatively radical stance it adopted in that decade, demonstrates what the British social democrats understood by social justice in the mid-1970s. In the Manifesto, it was contended, that the fight against the British crisis would be through “the claims of social justice”. The measures they argued for this purpose, were “increasing pensions and other benefits to £ 10 for the single person and £16 for the married couple”, “a new scheme of help for the DISABLED”, introduction of “a new system of CHILD CASH ALLOWANCES for every child”, “strict PRICE CONTROL on key services and commodities” and for redistribution of income and wealth through the introduction of the “annual Wealth Tax on the rich; bring in a new tax on major transfers of personal wealth; heavily tax speculation in property ... and seek to eliminate tax dodging across the whole field” (February 1974 BLP Election Manifesto, 2000: 187-188). These measures were presented as “the determination of the new Labour Government to set Britain on the road

towards a new social and economic equality” (February 1974 BLP Election Manifesto, 2000: 188).

To recapitulate, the examination of the election manifestos of the BLP between 1945 and 1979 demonstrates that the materialization of social justice was to be achieved through the provisions of the welfare state. Furthermore, the study of the elaboration of the social democratic conception of social justice should bear in mind the significance of the place attributed to economic growth, as well as economic conditions for either improvement or maintenance of the welfare state. Similar inference can be reached through the examination of the German social democracy in governing years.

After WWII, the German social democrats were able to come into power in 1966 through a ‘Grand Coalition’ formed with the Christian democrats (CDU/CSU). Although mostly the *Bad Godesberg* Program of 1959 had been presented as the ideological ‘revision’ of the SPD; before that, there had been two documents which had envisaged the *Bad Godesberg*, which were the Socialist International Principles Program (SIPP) of 1951 (in Kavukçuoğlu 1998: 241-248) and SPD’s Dortmund Program of 1952-54 (in Kavukçuoğlu 1998: 250-292). In the first one, it was indicated that, by the abolition of classes in Capitalism, ‘socialists’ meant the achievement of freedom and social justice (SIPP article 9 in Kavukçuoğlu 1998: 243). More interestingly, it was argued that the goal of Democratic Socialism is to extend the individual liberties through constantly rising welfare based on economic growth and social security (SIPP article 9 in Kavukçuoğlu 1998: 246). This perspective, it can be argued, reflected Bernstein’s theorization of ‘Socialism’, stressing on the principles rather than the end goals.

It should be stressed that the *Dortmund* Program, although it said that any kind of exploitation would be abolished, the incomes policy would be designed in favor of economically powerless groups or of the lower economic strata. However, it did not raise “incomes equality among individuals” (Dortmund Program in Kavukçuoğlu 1998: 265). Incomes policy in the *Dortmund* Program is an important indicator of what the SPD understood from social justice. The SPD firstly aimed at providing equal opportunity for everyone to regulate economic competition from the beginning. Egalitarian incomes policy consists on both active

employment policy, and a social policy covering low-income groups. Such a policy should also include: “fight against poverty, fair-wages for unskilled workers, wage policy to be based on the rise in other income groups, such as profit, rentier-capital and changing tax policy” (Dortmund Program in Kavukçuoğlu 1998: 269).

Increasing welfare standard is the target of social democratic political economics, the just distribution of national income among everybody, and a life where there is no dependence and exploitation against human dignity (*Bad Godesberg* in Kavukçuoğlu 1998: 322). It was stated, that the SPD accepts free market with ‘real’ competition: as much competition as possible, as much planning as necessary (*Bad Godesberg* in Kavukçuoğlu 1998: 323). In the section on ‘Income and Wealth Distribution’, it was indicated that the market economy cannot guarantee a just distribution of wealth and income when left on its own, and thus there should be an intervention in the market. This is, not only because of the economic crisis, inflation and wars, but because of the economic and taxation policies as well (*Bad Godesberg* in Kavukçuoğlu 1998: 325). It was moreover said, that social security should be designed to serve according to human dignity. In addition, the increase of all social benefits would be in accordance with the increase of wages and salaries (*Bad Godesberg* in Kavukçuoğlu 1998: 327).

In the light of the examination of the programs offered by the German social democrats, the materialization of social justice would be through the welfare state; and economic growth was considered as a significant measure for this purpose. More interestingly, social justice would be secured via the market economy, not with planning, but with *necessary* planning. Moreover, it can be claimed, that the examination demonstrates that it is difficult to argue that the demand for social justice was solely based on class approach, as mentioned in the Fourth Chapter, but rather on the moral approach, which is the equal treatment of every human being.

The question arising is: did the practice of the social democratic governments confirm the inference reached above? For example, did the Labour employ any other measure than economic growth, or did it increase taxes without taking their effects on the economy into consideration? Was the extension of the

welfare state carried out through radical distribution of income and wealth? The examination of the practices of the Labour governments, as well as that of the outcomes of their policies will contribute to the elaboration of its perspective on social justice.

In the light of the examination of the practices of the BLP governments, it can be claimed that the improvement of social services and benefits in the postwar period was based on “the rate at which the British economy can advance” (Hill 1993: 66). During the Labour governments between 1964 and 1970, their practices “was not so markedly different” from that of its Conservative predecessor<sup>6</sup>. Hill argues that Labour “carried forward its predecessor’s commitments to improving the public sector and to expanding higher education” (Hill 1993: 76). Moreover, although Labour stated in its 1964 Election Manifesto, Hill says, that it would abolish prescription charges, it did so in 1965 but it introduced it again in 1968, while charges “for dental and ophthalmic treatment were not even temporarily suspended” (Hill 1993: 82).

Concerning policy outcomes, Hill asserts that, social expenditure in the postwar period between 1945 and 1975 acceleratingly grow ‘in real terms’, although “there were periods when governments temporarily sought to restrain social expenditure”. The growth however, slowed down after 1975, but in real terms it continued even after 1979 (Hill 1993: 149-150).

Hill contends that, in the postwar years, the BLP embraced a universal principle for the provision of social services. However, Labour “accordingly had to suffer the consequences of disillusion amongst the faithful and divisions within the party when it experienced difficulty in attaining that goal” (Hill 1993: 164-165).

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<sup>6</sup> Richard Rose (1984), quoting from Hill (1993) argues that in terms of their practice regarding public expenditure between the late 1950s and the early 1970s there was no difference between Conservatives and Labour. Hill says that “his data suggests that public expenditure grew faster under Heath than under Wilson’s 1964-1970 government. Walker reaches broadly similar conclusions. He shows an expenditure growth rate for social policy of 6.8 per cent per annum, in comparison with 5.9 per cent in 1964-1970. Within his data set health (7.1 per cent) and housing expenditure (19.9 per cent) show significantly greater rates of growth, with education (4.0 per cent) and social security (3.1 per cent) showing lower annual growth rates under the Heath government..... The Heath government experienced a very similar growth rate of GDP to that of the Wilson government. This meant that it, too, was increasing social expenditure faster than the rate of economic growth” (Hill 1993: 90-91).

To review this context, the materialization of social justice in Britain was to be achieved within the limits of the welfare state in the governing years. Economic growth as well as economic conditions in the period, it should be stressed, were the limit of the social and economic provisions for better or worse. After certain design of tax system, the improvement of the welfare state was based on economic growth. It can be argued, that the analysis of the continuities and changes or ruptures within the tradition of Social Democracy after 1980, especially since 1997, should bear this remark in mind. Similar inferences can be reached through the examination of German social democracy in its governing years.

The improvement of the German welfare state in the postwar period either by the Christian democrats or by the social democrats had been through incremental changes. Levine, quoting from von Beyme, argues that the development of the welfare state in Germany has been through “marginal changes to existing organization” (Levine 1981: 32; von Beyme 1985: 3). Von Beyme states that “in some policy fields, such as social security and health care, considerable improvements have been brought about without any major change of the institutional framework” (von Beyme 1985: 3).

Despite’s Klotzbach’s argument (1982), quoting from Michalsky (1985), says that the ‘new’ stance of the SPD, in terms of social justice, flourished after 1957, the *Dortmund* Program in 1952/54 and Socialist International Principles Program had already included this stance raised in the *Bad Godesberg* Program in 1959. Michalsky asserts that the SPD “had adapted itself to the existing institutions” after 1957. He indicates, that “the decisive step here was the recognition of the insurance principle with correspondingly scaled monetary benefits” (Michalsky 1985: 64).

In the governing years in Germany, there emerged an agreement on the establishment of a welfare state, which was developed through the Bismarckian model and the German social democrats joined the agreement. Wollmann argues that, “in these first postwar years, the Social Democrats seem to have virtually joined an all party coalition on housing with hardly any dissent on the immediate and imminent steps to be taken” (Wollmann 1985: 139). Social democrats’ practice regarding housing policy was limited to tenure security and to “Housing

Construction Programme which aimed at overcoming the regional shortages of housing, particularly in the rental housing field” (Scharpf et al. 1976: 191-192; Wollmann 1985: 145).

Bogs (1974), quoting from Murswieck (1985), argued that with the development of health service in Germany, which was “described as ‘adaptation’, ‘further development’ and ‘improvement’” has been carried out through “incremental political process in advancing step-by-step reforms” (Bogs 1974; Murswieck 1985: 93). During the Grand Coalition between 1966 and 1969, ‘only one major item of legislation’, which is “‘Wage Continuation Programme’ (*Lohnfortzahlungsgesetz*) of 1969”, passed (Murswieck 1985: 98). Between 1970 and 1976 there was “expanding care over an increasingly large domain of illness and disability and bringing such care to more people” (Murswieck 1985: 100). Between 1976 and 1982, on the other hand, there emerged concern over controlling “expenditure without sacrificing adequate medical care and insurance protection”. There came the Cost Containment Law of 1977, which brought a goal of ensuring the “continuation of the current levels of medical care for the insured population and make further medical progress possible. The financial resources devoted to these goals should not put unbearable burdens on the economy and the insured” (Murswieck 1985: 100).

During the SPD-FDP coalition, it was indicated that “education has to be a civil right and the path to equal opportunity”; “the social democrats’ basic conviction that freedom has its material prerequisites” (Michalsky 1985: 66-67). Michalsky, as a result, argues that “the social policy of the social-liberal coalition was a reform and adjustment policy” (Michalsky 1985: 69).

The practices of the SPD governments in the second half of the 1970s were more demonstrative for the elaboration of its conception of social justice. In this period, according to von Beyme, the reforms offered by the SPD did not involve extra costs. It was vocational training that would bring new costs, but it was “vetoed by conservative elements” (von Beyme 1985: 9). More significantly, he states that the increase in taxation and the public debt were “to defend existing achievements without starting new ventures” (von Beyme 1985: 10).

The examination of policy outcomes of German social democracy in the 1970s demonstrates that the German social democrats, in economically worse conditions comparing with the 1950s and 1960s similar to that since the mid-1990s, employed restrictive policies and focused on the maintenance of the social provisions rather than their extension. Schmidt claims, that “the policy mix chosen to cope with the recession consisted of a mildly expansive fiscal policy, and a strongly restrictive monetary policy”, due to SPD’s coalition partner FDP and CDU/CSU’s ‘strong position within the federal system’ (Schmidt 1985: 44). As such, Michalsky states that the SPD introduced a fee for health insurance certificates and a prescription charge for payment of wages “to blue-collar workers for six weeks in the event of sickness” by employers (Michalsky 1985: 65). This stance became even much clearer during the oil shock of the 1970s.

When the first oil crisis emerged, it had been thought that both full employment and economic growth could be achieved together. However, in February 1975 the unemployment figure reached to 1,183,500, and “the expenditure of the Federal Employment Institute (*Bundesanstalt für Arbeit*) rose by 74.4 % from 1974 to 1975, and the increase in unemployment benefit was 155.3 %” (Michalsky 1985: 71). Therefore, the social-liberal coalition passed the Budget Consolidation Law, (*Hauhaltsstrukturgesetz*) which brought cuts in benefits of “the Federal Employment Institute and for the support of education and training” (Michalsky 1985: 71, 72-73). Michalsky, therefore, asserts that the coalition with which the SPD was big partner, not only phased out “the instruments of individual advancement”, but lowered benefits levels and tightened up “the conditions of receipt of benefits” in the second half of the 1970s (Michalsky 1985: 73). As a result of these, Klages, quoting from von Beyme, argued that “Schmidt ... did not want to encourage tendencies rising expectations, since he anticipated that in case of failure of reforms, caused by financial restrictions” (Klages 1975: 157; von Beyme 1985: 9).

Before finishing the examination of the policy outcomes of the SPD governments, the excuses raised for the ‘underperformance’ of the governments will be mentioned. The policy outcomes of the SPD governments were not found satisfactory. Schmidt (1985) contended that, although “the most rapid rates of

expansion took place under the Social Democratic-Free Democratic Government which came into power in 1969”, the rate of the expansion “was much slower than that taken by socialist and non-socialist governments in many other OECD countries” (Schmidt 1985: 27, 28). Michalsky contends that the strength of bourgeois majority and sustained economic growth caused the SPD to employ “a growth-oriented social policy profile which, at the same time, allowed for compromises with such bourgeois forces as were receptive to social policy” (Michalsky 1985: 59).

Another excuse raised for the policy outcomes of the German social democrats is the fragmented political system of Germany. The marginal or gradual changes to existing institutions have been conceived as the cause of the fragmented structure of the German political system. Quoting from von Beyme (1985), Ashford (1978) argues that the institutional structure of Germany has raised “important restriction<sup>7</sup> in many respects”. Von Beyme says, that the “fragmentation in a federal system, the existence of independent agencies, and judicial review by a constitutional court are important restrictions on innovative policies” (von Beyme 1985: 21).

It can be claimed that in the governing years the perspective of the German social democrats on social justice presents similar content to that of the British. Social justice was to be achieved through the welfare state. Economic growth was seen as a significant instrument for either the improvement, or of the maintenance of the welfare provisions. More importantly, in times of economic crisis, such as the oil shock of the 1970s, the German social democrats employed restrictive policies, such as cutting social expenditure and monetary policies. They also came to the conclusions, as mentioned before, that increasing social expenditure is not a simple solution for maintaining full employment. Although the relative weakness

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<sup>7</sup> Von Beyme argues more in that, the “restrictions on party politics in German institutions are not confined to the countervailing powers envisaged by the Constitution. Whether parties are powerful enough to put the central issues of their programmes into practice depends on the whole party system. Where the bourgeois camp is fragmented and social democratic parties have developed a kind of intellectual hegemony (as in Sweden) the performance on the most important issues has been good. Where the bourgeois opposition is largely united and most frequently remains the strongest party, social democratic governments have in some respects implemented the most balanced conservative policy, as the SPD did under Schmidt” (von Beyme 1985: 21).

of the SPD in the Bundestag may be considered as a restraint on social democratic politics in Germany, the examination of its policies, including party programs and their policy outcomes in government, demonstrates that the stance of the SPD in the 1970s is not actually the mere result of these weaknesses. That is to say, that the SPD's conception of social justice had already been within the limits of the social and economic conditions. The examination of either the standpoint or of policy outcomes of social democratic parties after 1980s from this perspective, it can be stated, should be taken into account through the analysis of the practicability of Social Democracy within the context of globalization, as well as through that of continuities and changes within its tradition.

### **7.5. Social Justice in the Adoption Period**

The examination of the standpoint of social democratic parties, through either practices, policy outcomes, their programs, or election manifestos in the 1990s becomes interesting and easier to some degree for the elaboration of the social democratic conception of social justice. Regarding its *adoption period*, it has been widely perceived that Social Democracy has experienced discontinuities between its governing period, which has been understood as its 'radical' version, and its adoption period. Therefore, in the following part, the policy outcomes and programs/election manifestos of the BLP and the SPD will be analyzed in terms of the continuities and changes or discontinuities within the tradition of Social Democracy between its last two periods: the governing (1945-1980) and the adoption periods (after 1980), especially since the mid-1990s.

The examination of the last election manifesto of the BLP in opposition, in 1997, demonstrates that the stance envisaged by the manifesto in terms of social justice presents similarities (or continuities) rather than discontinuities, compared with the one in its governing years. As in the election manifestos before 1980, that of the Third Way, the focus is on the welfare to work policy, the reform of the welfare state, and education and health care policies. Pensions retained its place within the welfare state as well (1997 BLP Election Manifesto, 368-369). Of course, rather than on the content of the manifesto, they are the policies employed by the BLP and their outcomes that are to be taken into account through the

analysis of continuities and changes in the social democratic tradition, as well as through that of the formation of Social Democracy within the context of globalization. In other words, the policy outcomes of the Blair governments will be examined to verify its posture within its own tradition. Since the governments have been within the context of globalization, the examination of the policy outcomes will also envisage the future of Social Democracy in the context of globalization.

The examination of the policy outcomes of the Blair governments since 1997 in terms of their contribution to the materialization of social justice challenges the accusations directed to Social Democracy regarding its move to the position of the New Right. The examination will be carried through comparing its policy outcomes since 1997, with those before 1980. Since the latter has been studied above, the focus here will be those since 1997.

Through their analysis of the policy outcomes of the Blair governments, Toynbee and Walker argue that the Labour has contributed to the improvement of social justice (Toynbee and Walker, the Guardian, January 31, 2005). The introduction of minimum wage in 1999 has been considered as a significant remark for the maintenance of the minimum income level (Guardian February 26 2005). Another reason for their argument is that Britain has come to 'near-full employment' in 2005. Economic growth, however, has been comparatively higher from the former period: it has been 2.7 % since 1997, while it was 1.7 % in the 1990s. More importantly, poor people were able to be made better off. They say, that "Labour justly directed cash straight into the pockets of the poorest and, as a result, made large numbers significantly better off, including those not yet lifted out of officially defined poverty" (Toynbee and Walker, the Guardian, January 31, 2005).

The contributions of the Third Way governments to social justice, according to Toynbee and Walker, dare demonstrative in the rise of education and health expenditures. For example, the rate of the increase of education expenditure has been 4.4 %, while it was 1.4 % between 1980 and 1997 (Toynbee and Walker, the Guardian, February 1, 2005). Similarly, there have been significant increases in health expenditure. Toynbee and Walker say that the proportion allocated to the

health care from the Gross Domestic Product (GDP) was 6.8 % in 2000; it has been raised to 9 % in 2005, which meant the lift of the health expenditures from below the EU level to above the EU level. During the BLP's governments between 1997 and 2005, the improvement of the health care was able to be achieved especially through the decreases in waiting lists (Toynbee and Walker, the Guardian, February 2, 2005). With the 2.7 % of economic growth in mind, the policy outcomes of the Blair governments reflect that achieved in the postwar period. As a result, the examination demonstrates a significant continuity between the period before 1980 and the period since the mid-1990s. Such a finding allows us to argue that the viability of Social Democracy continues within globalization, because the British social democrats was able to contribute to the rise of the welfare expenditures with a similar proportion they did in the postwar period.

For challenging the accusations directed to Social Democracy in the case of the Third Way, as a continuity of the New Right, the 2005 general election manifesto of the BLP and the Conservative Party (CP) are comparatively examined. The examination will contribute to the elaboration of both the differences and similarities between them in terms of their approach to the welfare state. The BLP states that it will substantially increase public spending and “fund this through taxation and borrowing”, while the CP claims that it will cut spending by £35 billion (the Guardian, February 28, 2005, Economy).

The difference between them can be shown by examining their education policy. The emphasis of the Labour policy is on the improvement of the education level, especially the increase of the pre-school institutions, while that of the conservatives is on the role of family and the increase of independent schools (the Guardian, February 28, 2005, Education). For health care, the Labour promises further increases in the health expenditure and more decreases in the waiting lists, while the Conservatives promise the abolition of the waiting lists for treatment within five years and the use of private hospitals (the Guardian February 28, 2005, Health).

As a result, it can be claimed that, their 2005 elections manifestos are an explicit demonstration of the differences between their policies. It should be stressed that the differences are greater than those between them in the postwar

period. It can be argued that the above findings through the examination of the policy outcomes, as well as that of their manifestos, does not support the arguments presenting the standpoint of the BLP as the continuity of that of the New Right (discontinuity within the tradition of British social democracy). On the contrary, these findings demonstrate the continuities within the social democratic conception of social justice, and the continuing establishment of Social Democracy within the context of globalization.

It is the *Berlin Program* of the SPD adopted in 1989 that can be taken for examination of the position of German social democracy within the *adoption period*. Through the developments that occurred within the social, political and economic structures after the *Bad Godesberg* of 1959, the German social democrats renewed their programs by adopting the *Berlin Program* in 1989 (*Berlin Program* in Kavukçuğlu 1998: 367-436). The Berlin Program can be conceived as their response to the developments, such as the new social movements, as mentioned in the Second Chapter, and to that which would later be called as globalization. The impacts of the new social movements, such as the environment, feminist and peace movements can be seen in almost every part of the Program. That is to say, that in every section of the *Berlin Program*, there can be seen the emphasis on either equality between women and men, that is, the re-structure of social, political and economic structures for raising women to equal condition with men, or the adoption of the environmental issue to the social and economic (consumption/production) affairs, or peace concerns into international affairs, which has become even more significant in the case of the extended world-wide security problems. Through these adoptions<sup>8</sup>, there has emerged the adoption period of Social Democracy.

There is a question that comes to mind: how are these adoptions to be interpreted in terms of continuities and changes within the tradition of Social Democracy? Considering these adoptions as another rupture experienced by Social Democracy would be oversimplistic. These adoptions, it can be argued, have been in accordance with the progressive characteristic of the social democratic tradition, as outlined by Bernstein. The demands raised for these adoptions, especially by

those of the gender one, have raised the ‘transformation’ of social, political and economic structures. As such, the environmental issues have raised the concern between generations over natural resources and economic growth. As a result, it can be argued that these adoptions can well be conceived as the change of the policies of Social Democracy, in accordance with its tradition, to the developments that occurred within the structures (context).

Along with these adoptions, developing an early response to globalization is another significant characteristic of the *Berlin* Program of 1989. The examination of the Program demonstrates that the German social democrats have been aware of the developments that occurred within the context of globalization, as well as, that they have developed responses to it. It is stated that there is interdependence between countries, especially in case of the environmental issues and wars. Such issues do have both negative and positive impacts over all countries; and their resolutions require cooperation between them (*Berlin* Program in Kavukçuğlu 1998: 375).

According to the *Berlin* Program, capitalist development has exceeded over the nation-state. Multinational corporations, therefore, escape from their responsibilities and gain advantages against that of societies. The Program states that internationalization of money and capital markets has significantly reduced the governability of capitalist economy by the nation-state. Unless the lose of national power is substituted by international regulations, all economies would become very sensitive to crisis, and to the principle that the powerful is also the right will be in effect (*Berlin* Program in Kavukçuğlu 1998: 411-412).

In the *Berlin* Program, it is indicated that the needs of the developing countries for a new world order are much more than that of the developed countries. Their dependence on the North’s banks, corporations and governments is discouraging. The IMF and the WB is under domination of the North. To respond to the demands of their creditors, the debtor countries have been made to employ measures that destroy the environment and cause mass poverty (*Berlin* Program in Kavukçuğlu 1998: 411). This causes the destruction of rain forests and

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<sup>8</sup> Paul Stammers calls Social Democracy’s adoption of such issues as ‘side way move of Social Democracy’ (Stammers: ).

desertation of (and its extension) of many areas of the world, and in turn, the change of the climate of the world (*Berlin Program in Kavukçuđlu 1998: 412*).

The *Berlin Program* also emphasizes on the impacts of the growth of multinational corporations on both political and economic structures, the increasing flow of money that causes the instability within social, political and economic structures. Such an economic structure causes the increase of the poverty in the South. The Banks, corporations and stock exchange of the North impedes the development of the South. It is also indicated that there is a growing concern for assuming responsibility both in the North and South (*Berlin Program in Kavukçuđlu 1998: 375-376*).

There is a special part in the *Berlin Program* called ‘North and South Policy/Politics’. It is said that the cause of the industrial development of the rich countries of the North is their exploitation of the Southern countries. As such, the structure (or operation) of the world trade still depends on the 500 years old exploitation tradition (*Berlin Program in Kavukçuđlu 1998: 381*).

The *Berlin Program* can be conceived as that the German social democrats have been developing policies for globalization. All nations in the world, according to the *Berlin Program*, should unite not to let the world economy run by “the most powerful and blind with rage”. National and international regulations should take the escape of international capital from social and economic responsibilities, along with tax obligations under control. All debts of the poorest countries, and some of the others, should be deleted (*Berlin Program in Kavukçuđlu 1998: 412*). Above all, the world society should establish a world order to protect world peace: to take economic power under control of political power, to allocate resources, science and technology fairly, and to protect world’s natural resource base (*Berlin Program in Kavukçuđlu 1998: 382-383*).

As a response to globalization, the *Berlin Program* offers a just world trade that would be achieved through investment regulations. The markets of the developed countries should be open to the production of the developing ones. There is a need for a democratically controlled world exchange system to stop exchange speculations and their negative impacts. Such a new world order would be sustained when the societies of the South would develop social, political and

economic structural reforms that would achieve sustainable economic growth. A just world economic order would not be achieved without the international cooperation of trade unions (*Berlin Program in Kavukçuđlu 1998: 413*).

A response to globalization, according to the *Berlin Program*, should also include a re-organization (and empowerment) of international organizations. The *Berlin Program* states that the German social democrats want a new and just world economic order that will make possible the sustainable development of all countries. For this reason, world trade should be regulated in favor of the South, their incomes from raw materials should be increased, and there should be limitation for their borrowing obligations. The transfer of capital from the North to the South should be encouraged, and there should be the extension of the regulation of international corporations to the world (*Berlin Program in Kavukçuđlu 1998: 382*).

The *Berlin Program* furthermore offers regional cooperation (or the establishment of supra-national organizations, like the EU) as a solution for the negative impacts of globalization or a regulation of the world economy (*Berlin Program in Kavukçuđlu 1998: 375-376*). The EU, which the SPD had raised as European United States in its Heidelberg Program in 1925, is considered as a chance both for peace and for Social Democracy. The EU should promote support and cooperation for policies either due to crimes caused by Europe's past-colonialism, or due to unfair (international) economic relations (*Berlin Program in Kavukçuđlu 1998: 379-380*). Regional cooperation may contribute to the increase of the power of the South, and in turn, to that of global cooperation (*Berlin Program in Kavukçuđlu 1998: 382*).

The United Nations, which requires re-organization and empowerment along with its sub-organizations, would contribute to the fulfillment of these demands (*Berlin Program in Kavukçuđlu 1998: 383*). There should be established a Raw Material Fund to compensate the losses of the developing countries caused by price waves of the resources (*Berlin Program in Kavukçuđlu 1998: 413*). The losses of the developing countries, due to the protection of the environment, should be financed by the developed countries (*Berlin Program in Kavukçuđlu 1998: 382*). It can therefore be claimed, that the examination of the last program of

German social democracy demonstrates that it raises policies to be employed within the context of globalization. As further elaborated below, the *Berlin* Program verifies the continuing potential of Social Democracy within the context.

Before concluding this part, it has to be mentioned that accusing Social Democracy in the case of the Third Way as the continuity of that of the New Right indeed contributes to the continuance of the dominance of the Washington Consensus, which is a neo-liberal one. This is because this argument leads to the conclusion, that since both Liberal-Conservative-Christian Democratic and social democratic parties employ almost similar policies, then there is no room for the policies raising re-distributive measures even in the social democratic sense of the postwar period. This argument has become even more popular through the debates concerning globalization. It can be stated, that the policy outcomes of the Blair governments, as well as the policies offered by the SPD for globalization demonstrates the refutation of the accusations directed towards Social Democracy, as well as that its criticisms concerning its collapse in the context of globalization.

#### **7.6. Global Social Justice: Social Democratic Response to Globalization Outside Party Politics**

Having demonstrated the establishment of Social Democracy within the context of globalization by examining both the policy outcomes of social democratic governments within the context, and their response to the context, there remains the examination of the response of social democrats to the context for the formation of Social Democracy outside party politics. The examination will further verify its continuing potential within the context of globalization. The examination will demonstrate that their responses have been developed through social democratic principles. The questions leading the examination will be as such: what kind of policies social democrats offer for the materialization of social justice within the context of globalization: to what extent are their offers consistent with the social democratic tradition? In the following part, these questions will be dealt with, by bearing in mind the viability of Social Democracy within the context of globalization.

Among the social democrats<sup>9</sup> who try to develop a response to the challenges posed by globalization, A. Giddens and D. Held take significant places. As a response, Giddens (2003) raises the concept of *publicization* against both deregulation policies of the New Right, and the welfare state model of the postwar period, which he calls as ‘the nanny state’. The concept of publicization means “defending the core importance of the public sphere to a decent society – one in which citizens can pursue their aspirations, but feel protected and secure”. This is, according to Giddens, the rethinking of the state “in relation to concepts of the public interest and the public good” (Giddens 2003: 7).

It should however be mentioned that Giddens does not argue for the substitution of the public services, such as health and education, with that of the (private) market. He says that, although he is not against the provision of health and education by the market, “there are powerful reasons to do with social solidarity, equity and the public good, as to why they (private schools/hospitals) should be largely excluded” (Giddens 2003: 8). What is important for him is that, the provisions by both the state and the market “should be subject to overriding tests of the *public interest*”. Furthermore, he argues that “we should accept that there can be, and have been, privatizations ‘too far’” (Giddens 2003: 9). Giddens’ offer is not limited to publicization; there are other concepts, such as ensuring state and social inheritance, those he promotes as a response to the challenges posed by globalization.

Instead of an enabling state, which was raised against neo-liberal minimal state, Giddens promotes the concept of an ‘ensuring state’. According to Giddens, while the enabling state tries to empower its citizens through providing “resources that allow individuals to develop their own lives, rather than being told what to do or how to act, ” means that “once having been provided with resources, citizens are not going to be left for themselves”. He asserts that “the responsibilities of the state” should not end after providing resources (Giddens 2003: 13).

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<sup>9</sup> Since the perspective of the advocates of Third Way is analyzed in previous chapters, their stance in the social democratic tradition will not be analyzed here. The focus of this part is the demonstration of their responses to the challenges posed by globalization and their differences from those of both neo-liberals and Marxists.

According to the ensuring state, “the state also has obligations of *care and protection* for citizens, and that some of these obligations should be provided as *guarantees*” (Giddens 2003: 13). For Giddens, “the ensuring state is a regulatory”, despite its differences “from the traditional bureaucratic state”. There are “civil society groups, voluntary associations, non-profit-corporations” which would be the providers of the social services through the standards set by the state for public interests (Giddens 2003: 13-14). Giddens repeatedly stresses the significance of the concept of ‘enabling’, which can be considered as the term ‘positive’ that social democrats attach to equal opportunity. It can therefore be stated, that there are continuities between the social democratic point of concerning equal opportunity in both the formation and governing periods, and Giddens’ concept of the enabling state.

Among the concepts<sup>10</sup> that Giddens raised, ‘social inheritance’ is significant for social justice as well. Social inheritance means “the transfer of inequalities from generation to generation” (Giddens 2003: 21). Solution for social inheritance is the extension of education to pre-school age (Giddens 2003: 22-23). Such extension has been mentioned in the 2005 general election manifesto of the BLP, and it was stressed by both T. Blair and G. Brown during the 2005 election campaign (The Guardian, January 5, 2005).

There are some other concepts, such as the activation of civil society and placing cultural rights into positive social rights as a response of Social Democracy to globalization. The arguments have been raised by J. Habermas, C. Offe, D. Held, J. Keane and D. West. Habermas and Offe, quoting from West, offer “the importance of a reactivated civil society as the condition of a more deliberate and participatory democracy”. D. Held and J. Keane, quoting from West (1998), similarly argue for “a complementary ‘politicization of civil society’ and ‘civilization of the state’, democratic forms must also be extended beyond the state

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<sup>10</sup> Giddens offers some other concepts, such as *citizen-consumer*, as well. He argues that “in the market sphere, I want to argue, the individual functions as a *consumer-citizen*... In the domain of public services, by contrast, the individual is more of a *citizen-consumer*. Greater choice and diversity have to be introduced into public services, but in the context of clearly defined public purposes. We have to show that *decentralized non-market models* can be created that are both equitable and responsive to consumer needs” (Giddens 2003: 18).

throughout both economy and civil society” (West 1998: 237). Therefore, it can be claimed, that such emphasis on democracy within the context of globalization presents that continuity within the social democratic tradition, since democracy was mentioned as a prerequisite of Social Democracy by Bernstein.

West, however, considers the proposals mentioned above as “partial response to the problems of social democracy,” and thus offers “a commitment to rights in the sphere of culture”, which for him, “implies a further stage in the evolution of citizenship rights outlined by T. H. Marshall” (West 1998: 237, 238). “Cultural rights or rights in the sphere of culture”, West asserts, would contribute to Social Democracy, and to social justice through enriching positive freedoms. According to West, “cultural rights are not *ipso facto* collective, or ‘group’ rights” (West 1998: 247). He says that,

Cultural rights can be conceived, at least initially, as rights possessed by individuals just like the civil, political and social citizenship rights already institutionalized within welfare state liberal democracies. Obviously, the culturally defined context of free formation that cultural rights are designed to secure is itself irreducibly collective. But rights of association, trade union membership and religious worship are in the same way individual rights with collective implications and conditions (West 1998: 247).

Although West derives them from positive freedom<sup>11</sup>, his approach to cultural rights can also be considered within the confines of negative freedoms. They are necessary either “for the formation of interests and identity” or for the protection of positive freedom against “oppressive cultural formations such as racism, patriarchy and homophobia” (West 1998: 245). However, he puts cultural rights into positive freedom, corresponding to ‘the notion of autonomy’ (West 1998: 240).

Along with the policies raised by social democrats, there are arguments on the promotion of social justice within the context of globalization which is called *global justice*. The development of the concept of global justice, it can be argued,

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<sup>11</sup> West argues that, “the notion of cultural rights will correspond to the idea of an active citizen, sustained by one (or more) cultural communities, who is engaged in securing the satisfaction of autonomously formed rather than externally (for example, bureaucratically) defined needs. As corollary, the institutionalization of social rights should enhance rather than diminish the autonomy of citizens” (West 1998: 242).

presents new openings for Social Democracy (its continuity within the context of globalization). The extension of social justice from national framework to the global one is, not only significant for the reduction of inequality or of poverty in developing countries, but essential for preventing its rise within the developed countries as well. Some social democrats, such as David Held, raise the concept of global (social) justice and 'Global Social Democracy' (Held 2003; 2004). Although the background of some of those who promote global justice is liberal, they raise aspirations for political scientists, such as D. Held, for the development of 'Global Social Democracy'. Among these, S. Gosepath and T. W. Pogge will be briefly studied here. Such a promotion of global justice will contribute to the continuing potential of Social Democracy within globalization. In other words, the promotion of global justice can rightly be inferred as the continuing workability of Social Democracy outside the confines of the nation-state.

The respect for subjective moral or human rights, Gosepath argues, is the basis of "the moral claim to a just portion of social goods and burdens worldwide". He asserts that, "human rights are moral claims or demands to something which must not be withheld from any human being. For the various categories of social goods, this principle should be able to give rise to more specific and precise rights" (Gosepath 2004: 153).

The reason for social justice, according to Gosepath, is that

Unequal shares of goods are fair when they are the result of labor and when they accrue to a person deservedly, that is, when they result from the decisions and deliberate actions of the respective agents. Such privileging or disadvantaging is, however, unfair when based on arbitrary and unmerited differences in social circumstances and natural gifts (Gosepath 2004: 153).

It can be claimed, that there is consistence between the theory of Gosepath and those of early social democrats, such as Tawney mentioned before hand.

According to Gosepath, there is a need for the development of global justice instead of the national one, because "we seem to be moving towards a new, post-national constellation". Today the organizations, such as the European Union (EU) and the North Atlantic Treaty Organization (NATO) and private multinational corporations "are much bigger, stronger, and more flexible than

many states could be”. Therefore, he contends that “justice<sup>12</sup> can no longer be conceived in terms of the nation-state when nation-states are increasingly losing their original power to supranational actors” (Gosepath 2004: 154-155). Bearing in mind the similarities between Gosepath’s theorization of social justice and that of early social democrats, it can be argued that the reasons raised for pursuing global justice demonstrates the continuing establishment of Social Democracy within the context of globalization.

“The establishment of international law and international governmental and nongovernmental organizations”, according to Gosepath, has “enormous effects on the realization of global justice” (Gosepath 2004: 158). He argues that the demand for global justice does not require “a single overarching global political authority”. Rather, it “is compatible with a system of dispersed political sovereignty” (Gosepath 2004: 162). The focus of global justice, Gosepath says, would firstly be ‘local institutions’. The issues those cannot be successfully dealt with at the local level should be left to the confines of the next higher (national) level, while the issues that cannot be regulated at these two levels then, should be dealt with at the global level. Therefore, he says that “subsidiarity only demands cooperation between smaller communities to secure international justice for the sake of regulating relations between states in a fair way, thus guaranteeing justice for issues with which states cannot adequately cope” (Gosepath 2004: 162-163). He furthermore contends, that the organizations that would deal with the issues at the global level should be “built up from below, starting from local units” (Gosepath 2004: 163). According to Gosepath’s theorization of global justice, the global level does not mean the end of the nation-state, neither that of local level. All these levels will contribute to the materialization of (global) social justice.

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<sup>12</sup> According to Gosepath, the family of justice “shares three central features: it is distributive, egalitarian and universalistic. According to the first feature, it is assumed that justice has (among other things) to do with the justifiable reallocation or redistribution of goods and resources necessary for each individual to have his or her due (the distributional premise). According to the second feature, it is assumed that (at least) all human beings have an equal moral entitlement to equal respect and concern (the fundamental egalitarian premise). The third feature is the premise that has to be considered part of our modern morality at all, any norm of justice has to be justified with respect to the interests of all concerned people – that is, all justifiable claims of (at least) all human beings have to be considered (the universalistic premise)” (Gosepath 2004: 154).

Pogge's approach to global justice incorporates the arguments raised by early social democrats. He argues that for the fulfillment of civil and political rights the existence of 'severe poverty and inequality' is not desirable. Poverty and inequality causes the continuity of undemocratic regimes (Pogge 2004: 8).

The causes of social, political and economic conditions in developing countries, according to Pogge, are several, and cannot be merely attributed to domestic affairs. There is, he asserts, a connection between the richness of the developed countries and the poorness of the developing ones. The richness and the poorness go back to colonialism by the developed countries. This cause is presented as a reason for the connection between the rich and the 'global poor'. (Pogge 2004: 14).

The operation of international economy also, Pogge states, negatively contributes to the state of the global poor in developing countries. For example, "international borrowing privilege" causes the continuity of oppressive governments. It "imposes upon democratic successor regimes the often huge debts of their corrupt predecessors" through sapping their capacities "of such democratic governments to implement structural reforms and other political programs, thus rendering such governments less successful and less stable than they would otherwise be" (Pogge 2004: 20). The operation of 'international borrowing privilege' thirdly "provides incentives toward coup attempt", which is frequently seen, especially in "resource-rich developing countries" (Pogge 2004: 20, 21).

Although governments in poor countries do have responsibility for domestic poverty, the operation of 'global economic order' contributes to global poverty. According to Pogge, "the prevalence of official corruption may itself be a consequence of" the economic policies of the developed countries, "of the global economic order" they impose on the developing countries, and "of the extreme international inequalities that have accumulated over two centuries" (Pogge 2004: 18). Another responsibility of the developed countries lies in their deduction of bribes given by their companies in the developing countries from taxation. He contends that "by providing financial inducements and moral support, these states have made a vital contribution to promoting and entrenching a culture of corruption in developing societies" (Pogge 2004: 18-19).

Pogge comes to the conclusion that the developed countries “greatly contribute to the under-fulfillment of human rights in the developing countries”, which “is not a homegrown problem”, through the policies they employ and the international order they impose on the developing countries. According to Pogge, the developed countries, therefore, do have both positive and negative responsibilities toward global poverty (Pogge 2004: 22).

For Pogge, there are reasons for global justice. Along with the responsibility of the developed countries emerging from their past colonialism, people both in the developed and developing countries “depend on a single natural resource base”. He indicates that the majority of human kind is excluded by the developed countries and the elites in the developing countries. Thirdly, he says that both the developed and the developing countries “coexist within a single global economic order that has a strong tendency to perpetuate and even to aggravate global economic inequality” (Pogge 2004: 14).

The principles and measures raised by Pogge are developed through criticizing John Rawls. Rawls’s theory, despite his opposition, Pogge claims, is “clearly true of the international economic order”. He says that “alternative ways of organizing global economic cooperation have diverse distributional tendencies and differ, in particular, in how supportive or obstructive they are of economic development in the poorest countries and areas” (Pogge 2004: 15-16).

The theories of both Gosepath and Pogge can be conceived as a social democratic response to globalization, although they derive their theories from Rawls’ (liberal) conception of social justice. This is that first and foremost their theories are consistent with the definition of Social Democracy made in this thesis: *a movement pursuing social justice within Capitalism*. In other words, their theories carry social justice to the global level, while not excluding the national and local levels. Secondly, their theories entail the regulation of both global capital and international organizations, unlike those of hyper-globalists with a neo-liberal attachment. The theories of Gosepath and Pogge do not include the abolition of Capitalism for the materialization of social justice. As a result, it can be claimed that these theories of global justice explicitly demonstrate the continuing viability of Social Democracy within the context of globalization.

Although Gosepath and Pogge contribute to the rise of global justice from (social) liberal tradition, D. Held tries to develop a social democratic response to globalization. According to Held, the promotion of Social Democracy must be done at the global level, as well as at the regional level, along with the national level. The promotion would be through its values, such as “the rule of law, political equality, democratic politics, social justice, social solidarity and community, economic efficiency and effectiveness” (Held 2003: 145; 2004: 16). For this purpose, Held offers the concept of ‘Global Social Democracy’ which comprises,

Promoting the rule of law at the international level; greater transparency, accountability and democracy in global governance; a deeper commitment to social justice in the pursuit of life chances; the protection of reinvention of community at diverse levels (from the local to the global); and the regulation of the global economy through the public management of global financial and trade flows, the provision of global public goods and engagement of leading stakeholders in corporate governance (Held 2003: 145).

The promotion of the values, Held contends, is based on the principle that “each and every person is treated, in principle, with equal concern and respect” (Held 2003: 147; 2004: 56).

Social Democracy, Held states, differs from “neoconservatism, neoliberalism and radical anti-globalism” in terms of priorities. The priorities of Social Democracy would be “social justice and solidarity, as well as those of the rule of law, democratic politics and effective economic governance” (Held 2004: 17). The framework of global market activity “has to be connected to manifest principles of social justice” (Held 2004: 159) through “targeted egalitarianism, addressing the marginal and excluded while seeking to ensure that globalization works for all” (Held 2003: 147-148). For this purpose, Held offers following measures:

- Re-linking the security and human rights aspects of international law...
- Reforming UN Security Council procedures to improve the specification and legitimacy of credible reasons, thresholds and promises in relation to armed intervention in the affairs of a state...
- Expanding the remit of the Security Council, or creating a parallel Social and Economic Security Council, to examine and, where

- necessary, intervene in the full gamut of human crises –physical, social, biological, environmental- which can threaten human agency.
- Building global networks and institutions, focused on poverty and welfare, to act as a counter-weights and countervailing powers to the market-driving IGOs (the WTO, IMF and World Bank).
- Adapting the principles and mechanisms of global public goods theory, as the UNDP has suggested...” (Held 2003: 160-161; 2004: 12).

It should be mentioned that the measures Held offers for ‘Global Social Democracy’ at both the global and regional levels are complementary to those at the national and local levels (Held 2004: 12). By these measures, Held contends for a regulation of the international economy for raising social justice and solidarity between the developing and developed countries within globalization.

The agents for Global Social Democracy, according to Held, would be

European countries with strong liberal and social democratic traditions; liberal groups in the US polity which support multilateralism and the rule of law in international affairs; developing countries struggling for freer and fairer trade rules in the world economic order; non-governmental organizations, from Amnesty International to Oxfam, campaigning for a more just, democratic and equitable world order; transnational social movements contesting the nature and form of contemporary globalization; and those economic forces that desire a more stable and managed global economic order” (Held 2003: 166-167).

Due to “the territorial coherence and malleability of national politics”, Held states, Social Democracy at the global level, as it did in the postwar period, should seek “to mould the interests of capital, labour and the state into a balanced package of market economies, social welfare and political regulation” (Held 2004: 13, 13-14).

The starting point of social democratic multilateralism<sup>13</sup>, according to Held, should be “a world of overlapping communities of fate”. Held does not mean that everything should be taken from the nation-state, or local or regional entities. However, some issues, such as housing and education are “appropriate for spatially delimited political spheres (the city, region or state)”, while some others,

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<sup>13</sup> Held argues that “this strategy amounts to a policy of creating an enlightened multilateralism, built on the principle of extending open markets, strong coordinated governance, and providing protection against social vulnerabilities wherever possible. It amounts to an initial attempt to specify the meaning of social democracy at the global level” (Held 2004: 103).

such as ‘the environment and world health and global economic regulation’ requires “new, more extensive institutions to address them”. Held says that,

Deliberative and decision-making centers beyond national territories are appropriately situated when the principle of inclusiveness, subsidiarity and equivalence can only be properly upheld in a transnational context; when those whose life expectancy and life chances are significantly affected by a public matter constitute a transnational groupings; and when ‘lower’ levels of decision-making cannot manage satisfactorily transnational or international policy questions” (Held 2004: 107-108).

It can be claimed that these theories of Gosepath, Pogge and Held can be conceived as the extension of the scope of Social Democracy to the global level rather than its revitalization within the context of globalization. This is because their theories clearly include the materialization of social justice at both local and national levels. It can therefore be argued, that let alone the end of its viability within the context of globalization, globalization has extended the scope of Social Democracy from the local and national levels to the global level. In other words, globalization has contributed to the extension of the establishment of Social Democracy. Such an extended establishment of Social Democracy has been demonstrated through analyzing its social justice principle.

### **7.7. Conclusion**

In this chapter, as a definitive characteristic of Social Democracy, its conception of social justice has been examined through its developmental trends. The examination has demonstrated that, the social democratic conception of social justice has been different from that of both Liberalism and Marxism. Liberalism limits equality to the political sphere and excludes the social and economic provisions provided by the state. It also sees a dichotomy between equality and liberty. Marxism, on the other hand, does not employ equality as a category, while implies ‘equality of conditions’ within the communist society.

Social Democracy however, tries to combine equality in the political sphere with that in the social and economic sphere. Social democrats indicate that without certain social and economic provisions, political and civil rights will be meaningless. However, it does not stand for ‘equality of conditions’, but indeed it

accepts some forms of inequality. It is because of this reason that the social democratic understanding of equality is called social justice.

After elaborating the social democratic conception of social justice, I have argued that the analysis of the viability of Social Democracy within the context of globalization, as well as that of the continuities and changes within the tradition of Social Democracy, should include its social justice value. It is social justice along with other values, such as democracy and progressiveness (movement) those determine its policies in accordance with the economic conditions. The change of the conditions/context, as demonstrated in the Fifth and Sixth Chapters before, may result in the change of its policies, but their determination would continue. I have therefore concluded that the establishment of Social Democracy within globalization is demonstrable through its conception of social justice.

The formation of Social Democracy within the context of globalization has also been shown through the comparative analysis of the policy outcomes of the social democratic governments between those before 1980 and those since the mid-1990s. In other words, the comparison presents that, in terms of social justice, there are continuities between the last two periods of Social Democracy (*governing* and *adoption*). The case of the Blair government is particularly demonstrative for this argument. It should however be stressed, that there are the differences between the two periods: while the first one was constructive, the latter one is protective. The protection has been because of the constraining economic conditions that occurred after the mid-1970s. I have therefore concluded that, the accusations directed to Social Democracy conceiving the differences between two periods as its move to the stance of the New Right would be an oversimplification. I have also argued that the comparison of the 2005 election manifestos of the BLP and CP demonstrated that there are still differences between them. As a result, Social Democracy in the case of This Way is not the continuity of the New Right.

The examination of Social Democracy through social justice does not confirm the criticisms of Social Democracy concerning its viability within the context of globalization. As demonstrated in the previous chapter as well, the shortage of the criticisms results from their analysis of Social Democracy merely through its policies, or the nation-state. The inclusion of the social democratic

principle of social justice into the analysis of its viability within globalization presents that it does offer policies different from those of both Liberalism and Marxism for the materialization of social justice. It can therefore be claimed that there have been continuities rather than ruptures within the social democratic tradition. More significantly, the establishment of Social Democracy will continue within the context of globalization by extending its scope to the global level.

## CHAPTER EIGHT

### CONCLUSION

Against accusations of having experienced discontinuities after 1980 and its criticisms concerning globalization, the developmental trends of European Social Democracy has been historico-critically examined. The examination demonstrated that the criticisms of Social Democracy have carried their analysis out merely through party politics or its policies. Furthermore, their analysis has been based on misconception of Social Democracy. Against them, I have claimed that the analysis of Social Democracy should also include its principles, such as democracy, progressiveness (movement) and especially social justice. Such analysis presented that the continuities within the social democratic tradition have been persistent, although there have been changes within its policies under the guidance of its values. I have also asserted that such changes have been consistent with the ideological position of Social Democracy. Such a presentation responds both the accusations and criticisms against Social Democracy: it has not moved to the standpoint of the New Right/Thatcherism/Neo-Liberalism, because it has not experienced ruptures within its tradition; Social Democracy has not lost its establishment within the context of globalization.

I have however focused on the analysis of the formation of Social Democracy within globalization. This was because the verification of the continuing practicability of Social Democracy within the context would mean the refutation of its criticisms. The analysis has therefore been carried out through the examination of the three developmental trends of Social Democracy developed on this thesis. This was the theme of the Second Chapter.

In the Second Chapter the developmental trends of Social Democracy have been examined. Without such a historico-critical analysis, I have claimed that there

would not be a comparison that the terms continuity, change and discontinuity themselves entail. Secondly, the examination of the developmental trends of Social Democracy, I have stated, would contribute to the elaboration of its ideological stance, a reformism in favor of Capitalism. The elaboration would demonstrate its constituting elements: whether party policies, policies, principles or the multiplicity of them. Therefore, the developmental trends of Social Democracy have been divided into three: *formation years*, *governing years* and *adoption years*.

First period was called the *formation years*, due to the fact that, although Social Democracy was reformist in the political sphere, it did not have economic policies in congruence with its reformism. With the rise of Keynesian economics and the welfare state, along with the war-time experiences regarding state intervention in the economy, the reformist posture of Social Democracy found its expression in the economic sphere as well. In other words, by the adoption of Keynesian economics along with welfare state, the formation of Social Democracy as a reformist movement was completed. The postwar period, the *governing years*, would be the elaboration of this reformist stance.

The examination of the formation years, I have contended, demonstrated that Social Democracy had persisted as a distinct ideology long before Bernstein appeared as a 'revisionist' by criticizing 'orthodox Marxism'. In other words, Social Democracy has not been a 'revisionist' ideology as breaking from revolutionary movements/Marxism, but like Marxism it was a member of 'Socialist'<sup>1</sup> ideologies in the formation period. I have also argued that the critics presenting Social Democracy as 'revisionism' has been merely based on the debates among the German social democrats before and after WWI. More significantly, such arguments excluded, for example, the evolutionist viewpoint of British social democracy, which had subsisted right from its emergence. I have therefore, concluded that social democratic movement was not a breaking faction ('revisionism') of the revolutionary movements. As a reformist ideology, it was

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<sup>1</sup> The term 'socialist' here is used to connote the ideologies on the Left as it has been in Europe. In Turkey the term Left connotes this word.

present even in the programs of German social democracy before the appearance of Bernstein as a 'revisionist'.

The examination of the cases of the BLP and SPD in the formation period demonstrated the shortage of the analysis of Social Democracy through party politics. The BLP was evolutionary in this period, while the SPD oscillated between the reformism of Lassalle and Bernstein and the revolutionism of Marx. Furthermore, the examination has also showed that employing the method of achieving Socialism as a cause of the emergence of Social Democracy is invalid, because their conceptions of Socialism were different. The employment of a different method from Marxists by social democrats, the parliamentary method, was not for establishing Socialism in the Marxist sense, but they called their 'utopia' as 'Socialism' in congruence with the tradition of the 'socialist' family that it belonged. They in the formation period advocated "bourgeois democracy". Social democrats, such as Bernstein, it should be mentioned, actually approached democracy as a goal in itself.

In the Second Chapter, I have also stated, that the concept of change has been inherent to the policies of Social Democracy. Social democrats have traditionally evaluated their policies in accordance with the change of the social and economic conditions. Bernstein was the first one who exemplifies this. He, the most influential theorist of Social Democracy in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, focused on updating the 'socialist' programs. While still considering himself a Marxist, Bernstein approached 'Socialism' as a movement, rather than as a final goal. Bernstein's "post-Marxism" was critical in the formation of Social Democracy toward redistributive reformism against revolutionary policies. Such a remark demonstrates that the definitive characteristic of Social Democracy has been its principles/values, such as progressiveness, rather than its goals or its policies. As a result, under Bernstein's theorization of Social Democracy, I have claimed that, the analysis of its viability within the context of globalization, as well as that of continuities and changes within its tradition should also include such a theory of Social Democracy. The following years, that is the postwar period, would be the elaboration of this formed reformist standpoint of Social Democracy.

The postwar period was called the *governing years* of Social Democracy not only because social democrats could come to power in various countries, but because their policies found a widespread agreement among almost all political parties. That is to say, that Keynesian economics, including full employment and the welfare state, were pursued by right-wing political parties, such as the Conservative Party (CP) in Britain and the Christian Democratic Union (CDU/CSU) in Germany. They all contributed to the development of the welfare states in their countries in the postwar period. The postwar period has therefore been called the governing years of Social Democracy.

The examination of Social Democracy through continuities and changes within its tradition after 1980, I have argued, should be carried out by comparing its policy orientations with those within its governing years. This is, because the governing years were the elaboration of the reformist position of Social Democracy. The policies employed by social democratic parties in the postwar period were to increase economic growth (that may be considered as efficiency of Capitalism as well), which would then be directed to income re-distribution. In other words, Keynesian economics, including full employment and the welfare state, were employed for the materialization of its principles, such as social justice. The examination demonstrated that it was this period that social democrats discarded nationalization, not in that after 1980s.

Crosland, the prominent theorist of the governing years of Social Democracy, took redistribution a stage further by arguing for the welfare state, for Keynesian economics, and for full employment for the materialization of social democratic values. He also questioned the necessity of nationalization for the realization of these principles.

Since the early 1980s, the *adoption years*, Social Democracy has broadened its scope under the guidance of its principles. It then has covered cultural, gender and environmental issues. It cannot, however, be claimed that the adoption of these issues are un-problematic. All of such issues raise potential conflicts with long standing concerns for full employment and budgetary restraints on the welfare state services. Despite the continuation of the debates on these

issues, there were attempts to face them in the programmatic renewals in its policies that began in the 1980s.

Regarding the adoption period, the examination demonstrated that despite claims of a conservative or neo-liberal ascendancy in the 1980s, Social Democracy had a number of successes. This is firstly because of the fact that there has been a strong electoral performance of social democratic parties in Australia (between 1983 and 1997) and in southern European countries, such as Spain (between 1982 and 1997), France, Greece, Italy and Portugal. The 'socialist' president, Francois Mitterrand, dominated French politics for over a decade. In Spain and Australia, social democrats won many consecutive elections, and stayed in office for fourteen and thirteen years respectively. These successes, I have claimed, present that the 1980s and 90s were not recession years of Social Democracy.

There can, however, be discussions about a programmatic renewal (change) concerning the policies of Social Democracy. In the light of the examination of the developmental trends of Social Democracy, the simplistic formulas, which associated it with *etatism*, bureaucracy, and widespread nationalization have been rejected. This sort of perceiving Social Democracy has been criticized since the last decade of the 19<sup>th</sup> century. Secondly, such changes had occurred within its governing years. The continuity, however, has been present within its values.

Since Crosland's thesis became generally accepted, instead of combating market forces and private capital, social democrats have used regulations and social market policies to attempt to run market Capitalism to meet considerations of social justice. The adoptions by Social Democracy, since the mid-1970s, represent a continuation of the policy directions initiated by Bernstein and Crosland toward social market strategies. In themselves, social market policies were not new. After the complete formation of its reformist standpoint in both political and economic spheres by the end of WWII, they were the product of postwar reconstruction policies in the Federal Republic of Germany. Nonetheless, many of the lessons of Germany's postwar success were not absorbed into social democratic practice until the 1980s. I have therefore stated that the complete formation of reformism of Social Democracy in both political and economic spheres in its governing years envisaged the orientation of its policies after 1980.

I have also claimed that the adoptions of Social Democracy after 1980 have presented its commitment to the progressiveness principle. Bernstein was correct in his theorization of Social Democracy as a movement, not a commitment to fixed "final goals". Such a theorization, I have asserted, demonstrates that in terms of policies, Social Democracy is flexible. It is more about values, orientations, or convictions than a specific policy objective. Bearing in mind this theorization, I have concluded that, it is not relevant to argue that Social Democracy has ceased within the context of globalization. Instead, it has entered a new period and its establishment continues with new challenges.

Moreover, numerous traditional elements still remain, however. Wage earners still constitute a higher proportion of the electorate of social democratic parties although their electorate basis has widened. Furthermore, although formal ties between trade unions and social democratic parties have been loosened, trade unions are generally closer to the political parties than to right-wing ones. In other words, trade unions still make a considerable impact on social democratic parties. Such a social basis of the parties has been the significant cause of the continuity in either its ideological stance, or its values throughout its history. This characteristic feature causes them to take a different viewpoint from that of right-wing parties.

It should however be mentioned, that an organizational tie with trade unions is not necessarily a pre-requisite for electoral success of Social Democracy. Social democratic movements in southern Europe, especially the Spanish social democrats, are examples of electoral success without relying on a Scandinavian style trade union movement. Despite the accusations, the loosening of the relationship cannot be conceived as that Social Democracy has ceased to have relevance. But it has moved to embrace new political issues. In the new era, by adopting the issues raised by the new social movements, such as environmental and gender, social democratic movement has widened to become more inclusive than ever before consistent with its progressive characteristic.

Such theorization of Social Democracy, I have argued, demonstrates that accusing these adoptions, as ruptures within its tradition, as well as conceiving the context of globalization as its collapse, is irrelevant. But rather, Social Democracy has tried to develop new policies (or changed its policies) in accordance with the

context, which is consistent with its tradition. In the new context, the Social Democracy of the governing years has been elaborated and extended through the concerns raised by the new social movements. I have therefore claimed that, considering such developments as a new 'revisionism' that Social Democracy has undergone, is an oversimplification.

Within the rise of the globalization debates, some have argued that globalization has severely limited the power of nation-states, and that this causes the collapse of Social Democracy. The theme of the Third Chapter was concerned with these arguments. The examination of the debates concerning globalization, however, raises questions regarding the relevance of such arguments, rather than that of Social Democracy within globalization. The examination demonstrated that there has been an ongoing debate on globalization, whether is it global or international. Moreover, it was shown that, except the hyper-globalists with a neo-liberal attachment, neither the globalists nor the skeptics argue that the nation-state has disappeared or will disappear in the foreseeable future. Furthermore, empirical researches on the existence and power of the nation-state present that it is, and will be, there. Many empirical researches disprove the convergence of the national social and economic orders, a hypothesis promoted by neo-liberals.

The skeptics, on the other hand, though they do not consider the existence of the nation-state with similar powers in the postwar period, state that the current world order is an inter-national one; it is no more than a further deepening of an order between nation-states; it is the continuity of the order before 1914. In other words, the current world order is not an unprecedented one. I have therefore concluded that, since nation-states do and will exist although comparatively with less power, the potential of Social Democracy (will) continues, even if it is based on the nation-state, or its policies. It can therefore be claimed, that such arguments have been raised from narrow ideological perspectives, such as the neo-liberal.

Another point regarding the achievability of Social Democracy in the future is the potential of the supranational organizations, such as the EU. Further development of such organizations may provide Social Democracy new openings outside the confines of nation-states, especially in countries with lesser developed welfare states for the materialization of social democratic principles, such as

democracy and social justice. Although further development of the EU may mean the eradication of nation-states, this can open the way for social democratic policies, for pursuing social justice within the confines of the EU. Such a development, it can be argued, would also overlap with the progressive characteristic of Social Democracy, as theorized by Bernstein. Even though the dominant lead in the EU is currently neo-liberal, social democrats have started to raise arguments and policies for the social democratic transformation of the EU. This is particularly clear in the case of new and future members with comparatively low degree of welfare state and democracy, such as Turkey.

The examination of the meaning of globalization for Social Democracy also demonstrated the inadequacy of the analysis of its viability merely through its policies. The establishment of Social Democracy is attached to its postwar policies by its critics, such as J. Gray. The unemployability of these policies within globalization has been presented as the collapse of Social Democracy. Against such criticisms, I have claimed that the analysis of the establishment of Social Democracy should also include its values, especially social justice. Such an analysis of Social Democracy would show its continuing potential in the context of globalization.

Under the guidance of the social democratic principles, social democrats, such as D. Held (2003, 2004), have begun developing policies as the response of Social Democracy to globalization. In other words, by turning to its values, Social Democracy has started to develop social and economic policies for the social democratic 'transformation' of globalization. Among these, the regulation of the world economy through restraining financial flows and empowering the international organizations are significant ones. Tobin tax is offered either for restraining the destructive nature of financial flows, or for providing financial support for international organizations. As such, the empowerment of the international organizations, such as the UN through giving more power to lesser developed countries, would contribute to the decrease of inequality both within and between countries. The development of the supranational organizations, such as the EU, has been considered either to protect the welfare state, or to raise a European welfare state. These policies are different from those of both Neo-

Liberalism and Marxism. The regulations promoted by social democrats allow us to maintain the argument.

The examination in the Third Chapter demonstrated that Social Democracy does have policy options different from both those of neo-liberals and of Marxists for the social democratic transformation of globalization. The 'transformation' offered by social democrats is consistent with the social democratic tradition. It is surely not radical as that of the Marxists; and it is not the same as that of neo-liberals, who leave almost everything to the confines of the market, whether national or inter-national. Such policies promoted by social democrats outside party politics allow us to claim that the potential of Social Democracy continue. It continuity will be through changing its policies in accordance with the context or with the developmental stage of Capitalism. These changes would occur under the guidance of its principles, such as social justice. By examining misinterpretations concerning Social Democracy, its viability would be further shown.

The examination of the ideological stance of Social Democracy in the 1990s, in the case of the Third Way, was the theme of the Fourth Chapter. I have argued that, the accusations directed towards Social Democracy have been based on some misconceptions of Social Democracy, such as that it was against the market economy, or it aimed at abolishing it, that it was a working class ideology, and that it neglected the individual. Against the accusations, the examination demonstrated that there have been continuities within the social democratic tradition or between the Social Democracy of the governing years and that of the adoptions years, the Third Way.

The examination showed that there are continuities within the social democratic tradition concerning the role of the state within the market economy. Firstly, the existence and significance of the market economy within the practices of Social Democracy in the postwar period was explicitly demonstrable. Consistent with the ideological standpoint of Social Democracy, the role of the state was concerned with sustaining high economic growth. The Third Way still attaches a similar role to the state through steering economy, although the emphasis on the market forces has increased. In the case of the Third Way, social democratic parties continue to pursue employment policies, such as 'Job

Alliances' in Germany, and 'welfare to work' programs in Britain, those financed by public revenues. The state would take part in the welfare state provision, such as education and health care and in the improvement of the welfare state. It would not only be an "umpire", but it will take care of sustaining competition within the market economy, but actively contribute to small - and medium-sized firms. I have therefore concluded that the accusations (ruptures) regarding the social democratic conception of state-market relations are irrelevant.

A similar misunderstanding over Social Democracy concerning its relation with the working class has subsisted. I have claimed that conceiving Social Democracy as a working class ideology is not relevant, despite the fact that trade unions took significant role for the formation of social democratic parties. The examination of the developmental trends of Social Democracy demonstrated that the relation between Social Democracy and workers is such that, workers are appealed as individuals rather than as a class. Furthermore, in this chapter it was shown that its appeal to a heterogeneous class base had begun in its formation years. Multi-class base of social democratic parties was clearly apparent in their governing years that were before 1980. As a result, accusing Social Democracy as experiencing discontinuity in its class base after 1980 is not relevant.

Another misapprehension against Social Democracy is demonstrative on its perspective on the individual. This has been shared by the advocates of the Third Way as well. Against the criticisms of Social Democracy of the governing years that it neglected the individual before 1980, through examining its developmental trends, the examination in the Fourth Chapter presented that neither was the individual absent within the 'classical' Social Democracy, nor was it neglected by it. Although the individual was not dealt with as a category by Social Democracy, like Liberalism, its existence can be demonstrated in both theory and practices of Social Democracy.

The subsistence of a social democratic conception of the individual was demonstrated by analyzing its objective that was to contribute to the development of the full capacity of the individual through social services, such as education and health care. Moreover, the political system that social democrats have wanted to achieve would provide equality to every individual before the laws. Furthermore,

the 'classical' Social democracy had placed importance to the creation and use of leisure time for the individual. These findings showed that Giddens's understanding of the 'classical' Social democracy (Giddens 2000: 7) is deficient. Neither a community versus individual dichotomy, nor a collectivism neglecting the existence of the individual can be found. In this case, it is not relevant to argue that the state dominates over the civil society either. Therefore, the emphasis of the Third Way on the individual can not be conceived as a rupture within the tradition of Social Democracy. As a result, I have claimed that the accusations directed to Social Democracy after 1980 are not relevant, because they have based on the misconceptions of Social Democracy. As such, considering the Third Way as a new ideology between 'classical' Social Democracy and Neo-Liberalism, as argued by the advocates of the Third Way, is not relevant either, because it is in the tradition of Social Democracy. The examination of the evolution of the social democratic perspective on nationalization would further contribute to the demonstration of the continuity within its tradition, as well as to the refutation of the unviability argument concerning globalization.

The examination of the social democratic point of view on nationalization in the Fifth Chapter showed the inadequacy of the analysis of Social Democracy by its criticisms. The examination, in other words, presented that the analysis of its viability merely through its policies, such as nationalization, would be insufficient for various reasons. Firstly, although nationalization was one of the most debated issues in the postwar period, this period witnessed also gradual dismantling of nationalization from its agenda through changing it with Keynesian economics. This is valid even for British social democracy.

Secondly, nationalization was not a general policy shared by social democratic parties both in the formation and governing periods. The viewpoint of the BLP on nationalization does not make nationalization a general characteristic of Social Democracy. It was a debated issue even within British social democracy in its governing period. Furthermore, in Britain initiating nationalization was not merely belonged to the BLP. Nationalizations started long before WWII. By the end of WWII, the rise of Keynesian economics along with the welfare state led many social democrats to conclude that the materialization of social democratic

principles, such as social justice, can be achieved by controlling economy in favor of their social bases, and the nationalization as a policy option was left aside. I have therefore claimed, that it was the product of the context occurred before WWII and the change of this context led to its change with Keynesian economics.

The examination of the case of the SPD verified the argument that nationalization was not a policy shared by social democratic parties. It has employed the conception of ‘socialization’ instead, which has had completely different content from nationalization. The comparison of the last two programs of the SPD (the *Bad Godesberg* Program in 1959 and the *Berlin* Program in 1989) demonstrated the continuity within its conception of socialization. The *Berlin* Program employs the term ‘economic democracy’, instead of ‘socialization’ but with similar content. Such a finding, I have claimed, demonstrated continuity concerning ‘socialization’ within the tradition of German social democracy between its governing period and adoption period. It should however be emphasized that, despite the fact that nationalization was gradually dismantled in the governing period, it has remained in the minds of a minority as a mean for ‘transforming’ Capitalism.

The examination of nationalization demonstrated significant findings for this thesis: first, was that nationalization should not be taken into the debates concerning continuities and changes, or ruptures, within the tradition of Social Democracy, because its viewpoint had already been settled long before 1980, secondly, the analysis of Social Democracy merely through its policies would be inadequate, because they can be changed in accordance with that of the context. I have argued that this is particularly clear in the case of nationalization that was changed with Keynesian economics. Similar findings can be demonstrated through the examination of social democratic economics, including full employment.

The economic sphere has been one of the significant areas where Social Democracy has faced accusations. After 1980, a very common perception has been formed, which says that it has abandoned its commitment to full employment. In terms of social and economic policies, according to the accusations, Social Democracy has come to the position of Neo-Liberalism. Against such accusations in the Sixth Chapter, I have stated that, the assessment of social democratic

economics, including full employment, should keep in mind the change of the context, including its values, such as social justice.

Either in the Second Chapter or in the Sixth Chapter in line with Przeworski's argument, I have asserted that, in its formation period, Social Democracy had not had economic policies consistent with its reformism in the political sphere. The content of social democratic economics became demonstrative after WWII in Britain by the Labour governments between 1945 and 1951, between 1964 and 1970, and between 1974 and 1979, while in Germany by SPD's coalition governments between 1966 and 1982. These years fall into the governing years of Social Democracy.

Full employment became a primary goal within the context occurred in the postwar period. Along with the development of welfare institutions, the rise of Keynesian economics, the experiences between and during the world wars and high-sustainable economic growth, contributed to the formation of social democratic economics, and to the maintenance of full employment. Within this context, social democratic economics, in which full employment took a significant place, focused on high economic growth and the expansion of welfare benefits. The examination demonstrated that social democratic governments changed their policies in accordance with the conditions.

In the Sixth Chapter, I have also claimed that the practices of social democratic governments in the 1970s were demonstrative either for the elaboration of social democratic economics or for the orientation of their policies after 1980. The examination of the practices presented, that social democratic economics adapted (changed) to the needs of the market economy for high and sustainable growth. The examination also showed that social democrats in the 1970s came to the pessimistic conclusion that demand management policy is insufficient for sustaining both high growth and full employment. The conclusion included the limits of the increasing welfare expenditure, the OPEC crisis, and the impacts of early globalization, especially of financial markets on their domestic economies. The analysis of the commitment of Social Democracy to full employment, I have therefore asserted, should bear in mind these developments.

The examination of the practices of both the BLP and SPD furthermore, presented early forms of the policies of Social Democracy in the case of the Third Way. Many of the points raised by the advocates of the Third Way have been demonstrated by analyzing the practices of the social democratic economics in the 1970s. In terms of employment policies, as mentioned above, insufficiency of the demand management policy may be a significant example. As such, the acceptance of inflation as a target similar to that of unemployment is also a crucial example. An implication of the rise of monetary policy, which is the growing power of the Federal Bank in Germany, started during the SPD governments in the 1970s. The examination of the practices in sum, has not verified the accusations directed to Social Democracy in the case of the Third Way.

The advocates of the Third Way, like the social democratic PMs of the 1970s, such as J. Callaghan (BLP) and H. Schmidt (SPD), mention the insufficiency of demand management policy against economic cycles, but they again do not totally rule it out. Moreover, unlike that of Thatcherism, their approach to flexibility is not limited to the labour market. Their conception of flexibility includes product and capital markets as well. The differences between the Third Way and the New Right exist in employment policies as well. As clearly demonstrated by Cressey, Social Democracy in the case of the Third Way, unlike the New Right, employs a variety of measures for the reduction of unemployment or for job creation. ‘Welfare to Work Scheme’ of the Labour includes “mixing subsidies, job search assistance, training, and direct job creation” (Cressey 2002: 179). Moreover, the finance of the Program by public money has to be kept in mind. The demonstration of the differences between the standpoint of Social Democracy and that of Neo-Liberalism has therefore, been offered as the refutation of the accusations.

Under the developments that occurred in the 1970s, social democrats came to a pessimistic conclusion concerning the success of their policies, such as achieving full employment. Due to the pessimism, instead of full employment, they have started emphasizing job creation or reduction of unemployment. In other words, the social democratic perspective on full employment or social democratic economics after 1980 reflects the pessimism occurred after the mid-1970s. As a

result, accusing Social Democracy as having undergone discontinuity within its commitment to full employment is an oversimplification.

After demonstrating the change of the policies employed by Social Democracy in accordance with the conditions, to present its continuing viability within the context of globalization as its defining characteristic, its conception of social justice has been analyzed in the Seventh Chapter. In other words, social justice has also been offered a concept for demonstrating the distinction between Social Democracy and both Liberalism and Marxism. Therefore, with the viewpoint of Social Democracy in its governing years in mind, the definition of Social Democracy in this thesis was based on social justice: *a movement pursuing social justice within Capitalism*.

In the light of the examination of the theories of E. Bernstein in Germany and of T. H. Tawney in Britain, as well as that of the election manifestos and programs of social democratic parties in both countries, I have argued that social justice in the economic sphere, was conceived as the free provision of some services, such as education and health care, and of a minimum income. They emphasized that the provisions are necessary for a true fulfillment of equal opportunity, which had been raised by Liberalism, but merely in the political sphere. Due to positive social and economic rights attached to equal opportunity, which would indicate its difference from that of Liberalism as well, the social democratic conception of equal opportunity was called *positive equal opportunity* in this thesis.

The concept of positive equal opportunity has been offered as a significant factor for the elaboration of the social democratic conception of social justice. As argued by Schumacher et al. as well, 'Socialism' did not argue for 'equality of conditions' even in its formation period. Social democrats accepted the existence of some inequalities emerging from skills and industriousness of individuals. Furthermore, they emphasized the significance of the rise of production and the change of tax system for the materialization of social justice.

The examination of the reasons raised by social democrats for social justice demonstrated that it can be taken as a significant concept for presenting its distinction from both Marxism and Liberalism. The reasons have not been based

on class (the working class) demands, but on equal treatment of every human being. The difference was also derived from the argument of Bernstein considering Social Democracy as the heir of Liberalism. The reasons promoted for social justice by social democrats show one of the distinctive characteristics of Social Democracy.

Although it was difficult to define the spheres of social justice in the formation period, it is relatively easier in its governing period. In the governing years the welfare state took a significant place for the materialization of social justice. This can be derived from either the election manifestos/programs of social democratic parties, or from the practices of the social democratic governments for pursuing egalitarian policies. Social justice in the governing years was to be materialized through the welfare provisions. Full employment and Keynesian demand management have been other measures mentioned in the literature for the improvement of social justice.

Another characteristic, which has been neglected in the literature, is the conditions that allow the materialization of social justice: economic growth (the increase of production) and economic conditions, such as recessions and inflation. The examination of the practices or policy outcomes of the social democratic governments in the governing years demonstrated that these economic measures were taken into account, either for the expansion of social justice, or for the limit to its expansion, as well as for cuts in the social expenditures. In other words from the social democratic point of view, economic growth and economic conditions were significant factors for improving (or maintaining) social justice. This characteristic contributes to the explanation of why social democratic parties employed restrictive policies (or made cuts in the social expenditures) in times of economic crisis, as well as to the incremental improvement of the welfare state in the governing period. These findings, I have claimed, demonstrated the causes of the change of the policies employed by Social Democracy.

The characteristics of the social democratic conception of social justice envisage the orientation of the policies of Social Democracy in its adoption period, particularly since 1997. In this period, social democratic parties, such as the BLP and SPD, were able to come into power in the mid-1990s after a long period of

opposition, although the parties had been in government in the Southern European countries, such as France, Spain and Greece, and in Australia. In terms of their contributions to the materialization of social justice between their governing and adoption periods, the examination of both the election manifestos and the policy outcomes of Blair governments demonstrated the continuities (rather than discontinuities) within the tradition of Social Democracy, as well as its continuing workability within globalization

In case of the BLP between 1997 and 2005, not only has there been found an explicit difference between its position and that of the CP, but it has contributed to the maintenance of the education and health care expenditures, to the similar extent it had made in its governing period. In terms of their approach to the increase or decrease of social expenditure, there were not such differences between their perspectives or practices in the postwar period. Furthermore, a comparative examination of their 2005 election manifestos demonstrated that, while the CP has proposed cuts in the welfare expenditures, the BLP has stated further increases in the expenditure. Such differences between Social Democracy and Neo-Liberalism can be demonstrable in their responses to the challenges posed by globalization.

In the Seventh Chapter, against conceiving globalization as the end of the nation-state, and in turn, the collapse of Social Democracy, I have claimed that there can be demonstrated the existence of the social democratic responses outside party politics to the context, which means its continuing potential. I have asserted that by the guidance of the social democratic principles, social democrats, such as A. Giddens, D. West and D. Held, have proposed policies to be employed at the both national and global levels.

As a response to the challenges posed by globalization, Giddens offers the concepts, such as publicization, ensuring state and social inheritance (Giddens 2003). West promotes the extension of social democratic positive rights to the cultural sphere (West 1998). Held, on the other hand, focuses on the position that can be taken at the global level for the materialization of social justice as complementary to those at the regional, national and local levels. Held's offer includes such measures as follows: the democratization of the supranational organization (or opening them to developing countries) such as the IMF, the WB,

the WTO and the UN Security Council, the regulation of global economy in favor of the developing countries, the opening of the markets of the developed countries to the developing ones, “building global networks and institutions, focused on poverty and welfare”, and the adoption of “the principles and mechanisms of global public goods theory”. Held calls his proposal “global social democracy” (Held 2003; 2004).

There are also some others, such as S. Gosepath (2004) and T. W. Pogge (2004), who raise global (social) justice. They employ J. Rawls’s ‘difference principle’ for the basis of the demand for global justice. Gosepath considers moral rights as a basis of “just portion of social goods and burdens worldwide” (Gosepath 2004: 153). Furthermore, he argues that the establishment of a global (federal) state, similar to the nation-state, is not necessary for the materialization of global justice. According to Gosepath, only those issues that cannot be dealt with at both regional and national levels should be left to the global level. Global justice, however, “demands cooperation between smaller communities” (Gosepath 2004: 163).

Pogge, on the other hand, argues that the developed countries do have responsibilities for pursuing global justice. The responsibilities arise from the connection between the developed and developing countries, or between the rich and the global poor. The reasons for the connection are past colonialism, the operation of international economy, and “single natural resource base” (Pogge 2004: 14). As such, the operation of ‘international borrowing privilege’, according to Pogge, contributes to the maintenance of undemocratic regimes and the exclusion of the masses from having their part from natural resources in the developing countries. He, therefore, contends that the developed countries should therefore take both positive and negative attitudes towards the global poor.

I have therefore, asserted that Social Democracy does have a response to the challenges posed by globalization. Its viability will continue either at the national-local levels or at the global level. There is no doubt that the arguments raised for the materialization of global justice need further development. The development of such arguments along with the increasing power of the agents mentioned above will be expected to contribute to the success of Social

Democracy at both the national and global levels. However, although these developments have not come to a determining point, it can be argued that at all levels, the potential of Social Democracy continues even within globalization. There is no doubt that the agents of global justice will be the global poor or the developing countries as the working class had been in the developed countries both before and after WWII. However, the existence of the supranational organizations, such as the UN, Greenpeace, Oxfam, and Amnesty International, as well as anti-global movements will be crucial for the realization of global justice.

In the light of the examination, in the thesis Social Democracy has been defined as a *movement pursuing social justice within Capitalism*. Such a definition or theorization has been consistent with the method of analysis employed in this thesis. The definition entails that the analysis of Social Democracy should include its principles, such as democracy, progressiveness and social justice. Such a theorization does not exclude the change of the policies employed in a given conditions by social democratic parties. This is because the constituting elements of Social Democracy are not its policies, but its values. Its policies can be changed in accordance with the change of the conditions. Therefore, the analysis of Social Democracy merely through its policies would be insufficient. Such theorization, however, excludes its analysis merely through social democratic parties or policies, because a movement is based on some set of principles, while political parties are more policy oriented organizations.

There is no doubt that the arguments raised in this thesis require further examination by including other countries, such as Sweden, Spain and France through the three developmental trends of Social Democracy. Among these, Sweden has been one of the most praised countries with a distinctive welfare state, a social democratic one. The analysis of Social Democracy in Sweden with its strength and success will contribute to the debates concerning continuities and changes within the tradition of Social Democracy, as well as to the elaboration of its establishment within globalization.

Lastly, since this study demonstrates that one of the heirs of Social Democracy has been liberal theory, it opens the way for the study of the Rawlsian conception of justice to contribute to the strengthening of social democratic

movement. This is because social justice was offered as the defining characteristic of Social Democracy. There have already been such studies mentioned above on the construing the Rawls' concept into the global level.

Such a definition of Social Democracy offered in this thesis, it can be claimed, may contribute to its criticisms in the case of Turkey. The literature regarding the success or failure of Social Democracy in Turkey is equated with the relative weakness of the trade union movement, similar to that in the developed countries, such as Sweden. Since this study demonstrated that without such a working class of northern countries, Social Democracy can be a viable movement by appealing to the middle-classes and urban low-income groups. The promotion of a social democratic program based on a welfare state, as against the social and economic policies which cause worsening of the conditions of peasants, the rise of inequality, the decline of equal opportunity, and some attempts against basic democratic institutions can find an electoral base wide enough for coming into power in Turkey.

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## **APPENDICES**

### **APPENDIX-A**

#### **TURKISH SUMMARY**

#### **AVRUPA SOSYAL DEMOKRASİSİNDE SÜREKLİLİK VE DEĞİŞİM: KÜRESELLEŞME KOŞULLARINDAKİ GEÇERLİLİĞİ ÜZERİNE BİR İNCELEME**

Bu tezde, 1980 sonrasında kırılmalara uğradığı ve küresel koşullarda geçerliliğini yitirdiği biçimde Sosyal Demokrasiye yöneltilen eleştiriler, tarihsel-eleştirel olarak onun gelişim evreleri incelenerek sorgulanmıştır. Tez, Sosyal Demokrasiye yöneltilen bu tür eleştirilerin salt parti siyaseti ya da toplumsal politikalar üzerinden yapıldığını ve bu yüzden de yanlış sonuca vardıklarını savunmaktadır. Ayrıca, eleştirilerin Sosyal Demokrasiye ilişkin önyargılar üzerinden yapıldığı ileri sürülmüştür. Eleştirilere karşı, Sosyal Demokrasi incelemelerinin demokrasi, ilerlemecilik (sosyal hareket) ve sosyal adalet gibi ilkeleleri/değerleri üzerinden de yapılması gerektiği savunulmuştur. Bu tür bir incelemenin, toplumsal politikalarında ilkelerin/değerlerin yönlendirmesi ile değişimler olsa da, sosyal demokrat gelenekte sürekliliğin hakim olduğunu göstereceği ileri sürülmüştür. Toplumsal politikadaki değişimlerin Sosyal Demokrasinin ideolojik duruşu ile tutarlı olduğu savunulmuştur. Sosyal Demokrasinin bu tür bir yaklaşımla ele alınması, yukarıda aktardığımız ona yöneltilen iki temel eleştiriye yanıt vereceği ileri sürülmüştür: Sosyal Demokrasi 1980 sonrasında Yeni Sağ/Neo-Liberal duruşa gelmemiştir, çünkü kendi geleneği içinde kırılma yaşamamıştır; küreselleşme koşulları Sosyal Demokrasinin geçerliliğini ortadan kaldırmamıştır.

Tezin başında Sosyal Demokrasiyi çalışma gerekçeleri açıklanmıştır. Gerekçelerden ilki, Sosyal Demokrasinin bir hareket olarak günümüzde gelişmiş olarak adlandırılan ülkelerin bugünkü siyasal, toplumsal ve iktisadi yapılarının oluşmasında önemli rol oynaması olmuştur. Sosyal Demokrasi *oluşum döneminde*, demokratik yapının kurulması için Sol'daki diğer hareketler savaşımlar vermiş ve kazanılan başarılarla rol oynamıştır. Sosyal Demokrasi İkinci Dünya Savaşı (İDS) sonrası dönemde ise, refah devletinin oluşturulmasında etkin rol almış olması diğer bir gerekçe olmuştur. Bunların yanında, 1980 sonrasında Yeni Sağın iktidara gelmesi ve hızlanan küreselleşme ile, hem uluslar içinde hem de uluslar arasında artan eşitsizlik de Sosyal Demokrasiyi çalışmak için önemli bir gerekçe oluşturmuştur. Neo-Liberalizm artan eşitsizliği 'önemsemezken', Marksizm kapitalizm dışı bir çözüm önermektedir. Oysa Sosyal Demokrasi, kapitalist üretim biçimini temelde değiştirmeden, eşitsizliği herkesin fırsat eşitliğine sahip olacağı bir düzeye indirmeyi amaçlamıştır. Son gerekçe ise, Sosyal Demokrasiye yöneltilen kırımlara uğradığı eleştirilerin tatmin edici olmaktan uzak olduğunun düşünülmesidir.

Çalışma, sosyal demokrat hareketin gelişimine önemli katkıda bulunmuş ve farklı gelenekten gelen iki parti üzerinden yürütülmüştür: Almanya Sosyal Demokrat Partisi (SPD) ve Britanya İşçi Partisi (BLP). İki parti, Sosyal Demokrasi üzerine yapılan tartışmalara önemli ölçüde yön vermişlerdir. Bunun son örneği Üçüncü Yol kavramının ortaya atılmasıdır. SPD ise, Bernstein etrafında şekillenen Marksizm ile Sosyal Demokrasi arasındaki tartışmalar dolayısıyla sosyal demokrat hareketin gelişimine önemli katkıda bulunmak bağlamında önemlidir. Ayrıca SPD Sosyal Demokrasi içinde radikal duruşu temsil eden bir partidir. BLP ise, Marksizmle tartışmaya girmeden başından itibaren Britanya siyasi geleneğine uygun biçimde evrimci bir çizgiyi temsil eden bir partidir. Belirtilmesi gereken son bir nokta da, bu iki partinin içinde bulunduğu ülkelerin/toplumların 1970'lerin ortalarında beri sosyal sınıf yapısında yaşanan değişimler, yeni sosyal hareketlerin ortaya çıkışı ve küreselleşme gibi Sosyal Demokrasiyi olumsuz etkilediği düşünülen gelişmeleri önceden ve derinden hissetmeleridir.

Çalışmanın başında süreklilik, değişim ve kırılma kavramları tanımlanmıştır. Değişim (change) kavramı kopma biçiminde değil, belirli bir ilkenin belirleyiciliği altında, içinde bulunulan duruma uyarlama olarak

tanımlanmıştır. Bu, Sosyal Demokrasi bağlamında kamusal politikaların/parti siyasetinin değişen toplumsal-iktisadi koşullara uyarlanması anlamına gelmektedir. Bu bağlamda tez, değişimin Sosyal Demokrasinin iktisadi-toplumsal politikalarına içgin olduğunu savunmaktadır. Değişimin, sosyal demokrat gelenekte kırılmalar biçiminde yorumlanmasının yanlış olacağı, çünkü belirleyici olan ya da Sosyal Demokrasinin tanımlayıcı öğelerinin iktisadi-toplumsal politikaları değil, onun değerleri olduğu ileri sürülmüştür. Süreklilik kavramı da bu bağlamda tanımlanmıştır: Süreklilik (continuity), bir siyasi/sosyal ideolojinin/hareketin belirli ilkelere bağlılığının devam etmesi olarak tanımlanmıştır. Bu, Sosyal Demokrasi bağlamında, demokrasi, sürekli ilerlemecilik ve sosyal adalet gibi değerlerine bağlı kalması anlamına gelmektedir.

Buna karşın kırılma (discontinuity, rupture ve revision) ise, bir siyasi gelenekten kopup başka bir siyasi geleneğe geçmek biçiminde tanımlanmıştır. Sosyal Demokrasi bağlamında kendi geleneğinden kırılma yaparak, örneğin Yeni Sağ çizgiye geçme anlamında ele alınmıştır.

Bu bağlamda tezin İkinci Bölümde Sosyal Demokrasinin gelişim evreleri incelenmiştir. Bu tür tarihsel-eleştirel bir inceleme olmadan, süreklilik, değişim ve kırılma kavramlarının gerektirdiği karşılaştırmanın mümkün olamayacağı düşünülmüştür. Ayrıca, Sosyal Demokrasinin gelişim evrelerinin incelenmesi onun ideolojik duruşunun açıklığa kavuşturulmasına katkıda bulunacağı varsayılmıştır. Sosyal Demokrasinin ideolojik duruşun incelenmesi, onun üzerine yapılan olan araştırmalarda onun temel belirleyici özellikleri olarak ele almamız gerekenin parti siyaseti mi, toplumsal politikaları mı, ilkeleri mi veya bunların toplamı mı olduğu sorusuna katkıda bulunacaktır. Bu yüzden, Sosyal Demokrasinin gelişim evreleri üçe ayrılmıştır: *oluşum yılları, iktidar yılları ve uyarlanma yılları*.

Sosyal Demokrasinin ilk döneminin *oluşum yılları* olarak adlandırılmasının arkasında yatan gerekçe, bu dönemde siyasal alandaki reformculuğu ile tutarlı toplumsal ve iktisadi politikalarının olmadığı düşünülmesidir. Keynesyen iktisadın ortaya çıkışı, refah devleti ve savaş(lar arası) dönemi deneyimleri Sosyal Demokrasiye iktisadi alanda siyasal alandaki reformculuğuna uygun toplumsal-ekonomik politikalar sunmuştur. Böylece reformcu bir hareket olarak Sosyal Demokrasinin oluşum yılları tamamlanmıştır. Oluşum sürecinin tamamlanması

İDS'nın bitimine denk gelmektedir. Savaş sonrasındaki Sosyal Demokrasinin iktidar yılları bu reformculuğun görülebileceği yıllar olmuştur.

Sosyal Demokrasinin oluşum yıllarının incelenmesi ışığında, onun Bernstein'ın ortodoks Marksizmi eleştirisinden önce de var olduğu ileri sürülmüştür. Diğer bir deyişle, Sosyal Demokrasi, devrimci bir gelenekten (veya Marksizm'den) kopma ile ortaya çıkan bir 'revizyonist' hareket değildir. Oluşum döneminde, Marksizm gibi Sosyal Demokrasi de 'sosyalist'/Sol hareketler içinde yer alan reformcu bir harekettir. Sosyal Demokrasinin kullandığı 'sosyalizm' kavramının Marksizm'in kullandığı kavramdan farklı içerikte olduğu ve bu yüzden de 'sosyalizmi' kurmak için tercih ettikleri aracın, parlamenter ve devrimci yöntemler, Sosyal Demokrasinin ortaya çıkışı olarak alınamayacağı ileri sürülmüştür. 'Revizyonist' bir ideoloji olduğu savının arkasında yatan eksiklik, Sosyal Demokrasiyi parti siyaseti ve sadece Almanya Sosyal Demokrat Partisi (SPD) bağlamında incelenmesinden kaynaklanmaktadır. Bu argumanın diğer önemli bir eksikliği de, ortaya çıkışında itibaren evrimci çizgiyi benimsemiş olan Britanya İşçi Partisi'nin (BLP) incelemeye almamasıdır. Sonuç olarak, Sosyal Demokrasinin oluşum evresinin incelenmesi ışığında, onun 'revizyonist' bir hareket değil fakat ilk ortaya çıktığı andan itibaren reformcu bir hareket olduğu ve onu parti bağlamında incelemenin yetersiz olduğu savunulmuştur.

İkinci Bölümde ayrıca değişim kavramının Sosyal Demokrasinin toplumsal-ekonomik politikalarına içgin olduğu ileri sürülmüştür. Sosyal demokratlar, geleneksel olarak toplumsal politikalarını toplumsal-iktisadi koşullara göre değiştirmek gerektiğini ileri sürmüşlerdir. Sosyal Demokrasiyi bu şekilde teorize eden ilk kişi Bernstein'dır. 19. Yüzyılın sonu 20. Yüzyılın başlarında 'sosyalist' programı güncelleştirmeye vurgu yapmış ve Sosyal Demokrasiyi bir hedef (goal) olarak değil, bir hareket (ilerlemecilik) olarak tanımlamıştır. Bernstein'ın Sosyal Demokrasiyi bir hareket olarak teorize edişinden hareketle, onun tanımlayıcı özelliklerinin toplumsal politikaları değil fakat ilkeleri olduğu savunulmuştur. Buradan hareketle de hem küresel koşullarda Sosyal Demokrasinin geçerliliğinin devam edip edemeyeceği hem de geleneğindeki süreklilik ve değişimler veya kırılmalar üzerine olan tartışmalarda sosyal demokrat değerlerin de göz önüne alınması gerektiği ileri sürülmüştür.

*İktidar yılları* olarak adlandırılan Sosyal Demokrasinin ikinci gelişim dönemi İkinci Dünya Savaşı'nın (İDS) bitimi ile başlar. Bu döneme Sosyal Demokrasinin iktidar yılları denmesinin nedeni, sadece onun bir çok ülkede iktidara gelebilmesi değil, aynı zamanda sosyal demokrat politikalar olarak adlandırılan Keynesyen politikalar ve tam istihdam gibi toplumsal politikaların diğer bir çok ideoloji/hareket tarafından da hayata geçirilmesi için verilen uğraştır. Bu bağlamda, 1980 sonrasında sosyal demokrat gelenek içindeki süreklilik ve değişim veya kırılma tartışmalarının, sosyal demokratların iktidar yıllarındaki uygulamaları ile karşılaştırılarak incelenmesi gerektiği savunulmuştur. Bunun nedeni, savaş sonrası dönemde Sosyal Demokrasinin Kapitalizmi nasıl yönettiği, onu nasıl dönüşüme uğratmak istediği ve bunların hızı/sınırı konusunda bize bilgi verecek olmasıdır. Diğer bir deyişle, İDS sonrasındaki dönem Sosyal Demokrasinin duruşu hakkında önemli ipuçları verecektir

Sosyal Demokrasi iktidar yıllarında sosyal adaleti sağlamak için kullandığı araçlar Keynesyen iktisat, refah devleti ve ekonomiye diğer doğrudan/dolaylı müdahalelerdir. Bu dönem, bize aynı zamanda sosyal demokratların toplumsal politikalarını toplumsal-iktisadi koşullara göre değiştirdiklerini de göstermektedir. Örneğin kamulaştırma, Keynesyen iktisat ile değiştirilmiştir. Dönemin önde gelen sosyal demokrat ideologlarının düşüncelerini incelediğimizde de benzer sonuçlar çıkmaktadır.

Crosland, sosyal demokrat değerlerin hayata geçirilmesinde kamulaştırma politikasının gerekliliğini sorgulayarak, sosyal adaletin gerçekleştirilmesinde refah devleti, Keynesyen iktisat ve tam istihdamın yeterli olacağını ileri sürmüştür. Bu bağlamda Stuart Holland'ın Sosyal Demokrasi anlayışının, BLP içinde sol grubun etkinliğinin arttığına göstergesi olarak alınması gerektiği ya da sosyal demokrat hareketin duruşunun yasması olarak alınmaması gerektiği savunulmuştur. Buna gerekçe olarak da Holland'ın temsil ettiği anlayışın BLP iktidarlarınca hayata geçirilmemiş olması gösterilmiştir.

Tezde Sosyal Demokrasinin üçüncü dönemi uyarlanma yılları olarak adlandırılmıştır. Sosyal Demokrasinin Yeni Sağa kaydığı, duraklama sürecine girdiği savlarına karşı, 1980 sonrasında önemli gelişmeler gösterdiği ileri sürülmüştür. İlk dikkati çeken, İspanya, Fransa ve Yunanistan gibi Güney Avrupa ülkeleri ile Avusturalya'da sosyal demokrat partilerin önemli seçim başarıları

aldığıdır. Diğer önemli bir nokta da, 1980 sonrasında sosyal demokrat partiler programlarına çevre, barış ve kadın gibi yeni sosyal hareketlerin kaygılarını eklemlenmeleridir. Sosyal Demokrasinin gerçekleştirdiği bu uyarlanmalar, onun Bernstein teorize ettiği biçimde ilerlemecilik ilkesi (movement/hareket) ile tutarlı bir gelişme olduğunun altı çizilmiştir. Bu başarılar ve genişleme ışığında, 1980'leri ve 1990'ları Sosyal Demokrasinin durgunluk yılları olarak adlandırmanın yanlış olacağı ileri sürülmüştür.

1980 sonrasındaki bu uyarlanmaların, sosyal demokrat gelenekte yaşanan kırılmalar olarak sunulması, hatta Sosyal Demokrasinin Yeni Sağ çizgiye kaydığı biçimde yorumlanması sadece aşırı basitleştirme olmadığı, yanlış olduğu da ileri sürülmüştür. Bu eleştirilerin nedeni, Sosyal Demokrasinin devletçilikle, bürokrasi ve yaygın kamulaştırma ile eş düşünülmesidir ve tezde bu tür bir yaklaşımlar reddedilmiştir. Bu tür yaklaşımlar, Sosyal Demokrasinin gelişme evrelerinin incelenmesinin de gösterdiği gibi sosyal demokrat gelenek içinde hep eleştirilmiştir. Bu bağlamda diğer önemli bir nokta da, yukarıda da vurgulandığı gibi iktidar yıllarında sosyal demokrat politikaların ilkeleri doğrultusunda toplumsal-iktisadi koşullara uyarlandığının gözden kaçırılmaması gerektiği savunulmuştur. Ayrıca, sosyal demokrat partilerin geleneksel özellikleri hala taşıdıkları ileri sürülmüştür. Bu özellikler, ücretlilerin sosyal demokrat tabanın önemli bir bölümünü oluşturması, aralarındaki ilişki geçmişe oranla zayıflasa da, sendikaların hala sosyal demokrat partilere yakın olmasıdır.

Buradan hareketle, Sosyal Demokrasi üzerine yapılan incelemelerin, sadece onun toplumsal politikaları bağlamında yapılmasının yetersiz kalacağı, çünkü politikaları bağlamında Sosyal Demokrasinin esnek olduğu ileri sürülmüştür. Sosyal Demokrasi, değerleri üzerinde teorize edilmeli ve bir hareket olduğu gözden kaçırılmamalıdır. Bu tür bir yaklaşımın, Sosyal Demokrasinin küreselleşme koşullarda geçerliliğinin süreceğine ilişkin bulgular sununmuştur.

Tezin Üçüncü Bölümünde küreselleşme üzerine yapılan tartışmalar incelenerek, küreselleşmenin Sosyal Demokrasi için anlamı sorgulanmıştır. Bu amaç doğrultusunda öncelikle Sosyal Demokrasinin geçerliliğinin önkoşulu olarak sunulan ulus-devletin varlığının küresel koşullarda devam edip etmediği araştırılmıştır. Araştırma göstermektedir ki, neo-liberal küreselleşmeciler hariç hiç kimse ulus-devletin yok olduğunu ileri sürmüyor. Ampirik çalışmalar da,

küreselleşmenin sonuçlarına ilişkin neo-liberal savları doğrulamıyor. Sonuç olarak, ulus-devletin varlığının devam ettiği/edeceği savından hareketle Sosyal Demokrasinin küresel bağlamda geçerli olacağı ileri sürülmüştür.

Bu bölümde ayrıca, küreselleşme koşullarında Sosyal Demokrasinin geçerliliğini sorgulayan eleştirilerin sadece ulus-devlet ile ilişkilendirilen toplumsal-iktisadi politikalar üzerinden yapılmaları dolayısıyla yetersiz oldukları ileri sürülerek, incelemenin sosyal adalet, ilerlemecilik ve demokrasi gibi sosyal demokrat ilkeler üzerinden, ki bu tür bir yaklaşım Bernstein'ın teorisi ile uyumludur, yapılması gerektiği savunulmuştur. Bu açıdan Sosyal Demokrasiyi ele aldığımızda, toplumsal-iktisadi politikalarını geleneğine uygun olarak küresel koşullara göre değiştirdiği/değiştireceği veya küresel bağlama uygun sosyal demokrat politikalar geliştirebilecekleri ileri sürülmüştür. D. Held ve A. Giddens gibi sosyal demokratların küresel koşullar için önerdikleri Tobin vergisi, ulus-üstü organizasyonların gelişmekte olan ülkeler lehine yeniden yapılandırılması ve küresel ticaretin düzenlenmesi gibi toplumsal-iktisadi politikaların neo-liberal ve Marksist yaklaşımlardan farklı olduğu ve Sosyal Demokrasinin küreselleşme koşullarında geçerliliğinin kanıtı olarak sunulmuştur.

Dördüncü Bölümde ise, Sosyal Demokrasiye yöneltilen Yeni Sağ çizgiye kaydığı (kırılma/revizyonizm yaşadığı) eleştirisi sorgulanmıştır. Bu bölümde, Sosyal Demokrasiye yöneltilen eleştirilerin önyargılar üzerinden yapıldığı ileri sürülmüştür. Bu önyargılar şunlardır: Sosyal Demokrasinin 1980 öncesinde pazar ekonomisine karşı olduğu veya onu ortadan kaldırmak istediği; onun bir işçi sınıfı ideolojisi olduğu; ve toplumu öne çıkararak bireyi ihmal ettiği. Sosyal Demokrasinin bu alanlarda kırılmalar yaşayarak Yeni Sağ çizgiye kaydığı eleştirilerini sorgulamak için, onun 1980 öncesindeki dönemi detaylı biçimde incelenmiştir.

Sosyal Demokrasinin iktidar yıllarının incelenmesi ışığında, eleştirilerin önyargılar üzerinden yapıldığı ileri sürülmüştür. Sosyal Demokrasinin İDS sonrasındaki teorik ve pratik duruşunun incelenmesi göstermektedir ki, pazar ekonomisine karşı olmadığı, bilakis onun 'sağlıklı' işlemesi için uğraş verdiği belirtilmiştir. Refah devletinin geliştirilmesi, serbest pazar ekonomisine Keynesyen politikalar ile müdahale ile sağlanacak ekonomik büyüme ile sağlanmaya çalışıldığı görülmektedir. Bu da bize iktidar yıllarında Sosyal Demokrasinin pazar

ekonomisine karşı olmadığı, ki bu onun ideolojik duruşundan da çıkarsanabilir, ve Üçüncü Yol bağlamında da kırılma yaşamadığını ileri sürmemize olanak vermektedir.

Benzer bir önyargı da Sosyal Demokrasinin bir işçi sınıfı ideolojisi olduğu şeklindedir. Sosyal Demokrasinin gelişim dönemlerinin incelenmesi ışığında, sosyal demokrat partilerin kurulmasında sendikaların önemli rol oynamalarına rağmen, onun işçi sınıfı ile ilişkisinin, sınıf bağlamında değil, fakat birey olarak işçileri temsil ettiği biçimde tanımlanmasının daha uygun olacağı ileri sürülmüştür. Bu şekilde tanımlanma, oluşum dönemi sosyal demokrat teorisyenler için de doğrudur. Sosyal adalet için öne sürülen gerekçe bir sınıf olarak işçiler değil, insan olmak gibi evrensel gerekçedir. Bunların ötesinde sosyal demokrat partilerin geniş bir sınıf tabanına hitab etmesi İDS sonrasında çözümlenmiş ve halkın partisi olduklarının altı çizilmiştir. Bu veriler ışığında, Sosyal Demokrasinin 1980 sonrasında işçi sınıfı dışında diğer sosyal sınıflara da açılmış olduğu (kırılma yaşadığı) suçlamasının yanlış olacağı ileri sürülmüştür.

Sosyal Demokrasi üzerine benzer bir önyargı da onun bireye yaklaşımı üzerinde bulunmaktadır, ki bu Üçüncü Yol savunucuları tarafından da paylaşılmaktadır. Bireyle ilgili bu eleştirilere karşı, bu tezde Sosyal Demokrasinin gelişim dönemlerinin incelenmesi ışığında, 'klasik' Sosyal Demokrasinin Liberalizm gibi bir kategori olarak birey ile ilgilenmese de, sosyal demokrat birey kavramından bahsetmenin mümkün olduğu ileri sürülmüştür. Daha önce de bahsedildiği gibi, Sosyal Demokrasi refah devleti hizmetlerini savunurken bireyin kapasitesinin tam olarak gerçekleştirme gerekçesini ortaya atmıştır. Bunun yanında, kurmak istediği siyasi sistem ile her bireye yasa önünde eşit olacağını savunmuştur. Ayrıca, bireylere kendilerini geliştirecekleri serbest zamanın sağlanması ve bu zamanı kullanmada özgür olduklarının altı çizilmiştir. Hem parti programları/seçim beyannameleri hem de sosyal demokrat teorisyenlerin düşüncelerinden çıkarsanan bu bulgular, Giddens'in 'klasik' Sosyal Demokrasi anlayışındaki toplum-birey karşıtlığı yaklaşımının doğru olmadığını ileri sürmemize imkan vermektedir. Diğer bir deyişle sosyal demokrat gelenek açısından ne toplum-birey karşıtlığından, ne bireyin varlığını yoksayan toplumcu bir anlayıştan ne de devletin sivil topluma domine eden bir anlayıştan bahsetmenin doğru olacağı savunulmuştur. Dördüncü Bölümde sonuç olarak serbest pazar, sınıf tabanı ve birey açısından Sosyal

Demokrasinin 1980 sonrasında Üçüncü Yol bağlamında kırılma yaşadığı veya Üçüncü Yol'un Neo-Liberalizm ile 'klasik' Sosyal Demokrasi arasında üçüncü bir yol olduğu savlarının gerçeklerden uzak olduğu ileri sürülmüştür.

Beşinci Bölümde Sosyal Demokrasinin kamulaştırmaya yaklaşımının incelenmesi ile toplumsal politikaların Sosyal Demokrasinin tanımlayıcı öğeleri olarak alınıp alınamayacağı sorgulanmıştır. İnceleme göstermiştir ki, kamulaştırma sosyal demokrat partilerin paylaştığı bir politika değildir, Britanya sosyal demokratlarına özgü bir politika olduğu ve Sosyal Demokrasiye genelleme yapılmasının doğru olmadığı savunulmuştur. Örneğin Alman sosyal demokratları, devletin/kamunun üretim araçları üzerindeki mülkiyetine karşı çıkmışlar ve onun yerine işçi temsilcilerinin şirket yönetimine katılmaları anlamında *sosyalizasyonu* savunmuşlardır. Daha da önemlisi, İDS sonrasında değişen koşulların etkisi ile kamulaştırma politikası Keynesyen iktisat lehine 1980'den çok önce terkedilmiştir. Reddedilmiş olsa da, T. Blair'den çok önce 1956 yılında kamulaştırmanın BLP tüzüğünden çıkarılması H. Gaitskel tarafından önerilmiştir. Ayrıca, yapılan kamulaştırmaların, 'sosyalizmi' kurma amacından ziyade, piyasanın etkin işleyişine yönelik olduğu görülmektedir. Diğer bir nokta da, Britanya örneğinde olduğu gibi, kamulaştırma ile piyasayı işçi sınıfının denetimi altına alma, yani işçi sınıfını iktidara getirme amacı güdülmemiştir. Bu bulgular ışığında, üretim araçları üzerindeki kamu mülkiyeti örneğinde olduğu gibi, toplumsal-iktisadi politikaların Sosyal Demokrasinin tanımlayıcı öğeleri olarak alınmaması gerektiği savunulmuştur. Buaradan hareketle süreklilik ve değişim veya kırılma kavramları bağlamında Sosyal Demokrasi incelemelerinin sadece kamusal politikaları üzerinden yapılmasının yetersiz kalacağı savunulmuştur. Bu savın doğruluğunu sorgulamak için Altıncı Bölümde sosyal demokrat ekonomi modeli incelenmiştir.

Altıncı Bölümde sosyal demokratların uyguladıkları ekonomi politikalarından hareketle Sosyal Demokrasinin hem küresel koşullarda geçerli olup olamayacağını, hem de 1980 sonrasında kendi geleneği içinde kırılma yaşayıp yaşamadığının (kırılmaya uğrayarak Yeni Sağ çizgiye kaydığı suçlamalarına karşı) incelemesinin yeterliliği sorgulanmıştır. Temel eleştiri noktalarından birisi olması dolayısıyla, tam istihdama yaklaşımı özel olarak ele alınmıştır. Bu bağlamda ilk olarak iktisadi politikalarının koşullardan kopartılarak tek tek incelenmesinin yetersiz olacağı savunulmuştur.

İkinci Bölümde olduğu gibi Altıncı Bölümde de Sosyal Demokrasinin oluşum döneminin sonuna kadar siyasi alandaki reformculuğuna uygun ekonomik politikalara sahip olmadığı ileri sürülmüştür. Bu eksiklik, Keynesyen iktisadın ortaya çıkışı ile giderilebilmiştir. Sosyal Demokrasinin ekonomi yönetimine yaklaşımı İDS sonrasında sosyal demokrat iktidarlar döneminde (Britanya’da 1945-1951, 1964-1970 ve 1974-1979 ve Almanya’da 1966-1982) ortaya çıkmıştır. Bu yıllar, Sosyal Demokrasinin iktidar yılları olarak adlandırılmıştır.

Tam istihdamın sosyal demokrat hedefler arasına girmesi bu şartlar içinde olmuştur. Ancak araştırmaların da gösterdiği gibi, savaş sonrası dönemde refah devletinin gelişmesi, Keynesyen iktisadın yaygın kabul görmesi, iki dünya savaşı sonrası olması ve yüksek büyüme dolayısıyla tam istihdam 1970’lerin ortalarına kadar sağlanabilmiştir. Bu dönemde sosyal demokratlar refah devletinin geliştirilmesi için yüksek büyüme üzerine odaklanmışlardır. 1945-1980 arası dönemin incelemesi, Sosyal Demokrasi toplumsal-iktisadi politikalarını, ilkeleri doğrultusunda koşullara uyarladığı (göre değiştirdiği), bu durumun özellikle 1970’lerde daha belirgin olduğunu göstermektedir.

1970’lerdeki gelişmeleri detaylı olarak incelediğimizde görmekteyiz ki, hem yüksek ekonomik büyüme hem de tam istihdamın sağlanabilmesi konusunda sosyal demokratlar karamsar bir sonuca varmışlardır, çünkü Keynesyen araçlar eskiden olduğu gibi istenilen sonuçları verememiştir. Ayrıca, bir yandan OPEC krizi, refah harcamalarının oldukça yüksek düzeye varması ve küreselleşmenin hissedilmeye başlanması gibi gelişmeler de bu karamsar havanın oluşmasına katkıda bulunmuştur.

Sosyal demokratların iktidar uygulamalarının, diğer bir deyişle 1970’lerdeki gelişmelere iktidardayken verdikleri tepkilerin incelenmesi ışığında, İDS sonrasındaki iktisadi-toplumsal politikalarının 1980 sonrasında hangi yöne doğru uyarlanacağına ilk örneklerini görmek mümkündür. Yukarıda da belirtildiği gibi, bu dönemde Keynesyen iktisadın yetersiz olduğu sonucuna varılması, enflasyonun tam istihdam gibi bir hedef olarak alınması ve para politikalarının da (merkez bankalarının bağımsızlığının kabul edilmesi) uygulanmaya başlanması 1970’lerde gördüğümüz gelişmelerdir. Ayrıca, İDS sonrasında incelenmesi sosyal demokratların ekonomik kriz dönemlerinde refah harcamalarında kesinti yaptıklarını göstermiştir. Bu bulguların tezin savunduğu iki temel savı doğruladığı

ileri sürülmüştür:: Sosyal Demokrasinin 1980 sonrasındaki toplumsal-iktisadi politikalarının Yeni Sağ'ın/Neo-liberalizmin etkisiyle kırılmaya uğradığı savı yüzeysel olacaktır; Sosyal Demokrasi, toplumsal-iktisadi politikalarını geleneğine uygun biçimde küreselleşme koşullarına uyarlayarak (değiştirerek) geçerliliğini sürdürecektir.

Altın Bölümün son bölümünde, bu tezlerin yeterliliğini sorgulamak için, ona yöneltilen eleştirilerin sadece benzerliklerini ele almasına karşın Sosyal Demokrasinin Üçüncü Yol bağlamında savunduğu/uyguladığı toplumsal-iktisadi politikalarının, Yeni Sağ/neo-liberal politikalarından farklılığı incelenmiştir. Bu bağlamda, neo-liberal esneklik kavramı emek piyasası ile sınırlı olmasına karşın, Üçüncü Yol'un esneklik kavramının ürün ve şirketleri de kapsamı dolayısıyla aralarında bir farklılığın olduğu savunulmuştur. Neo-Liberalizm istihdam sorununu tamamen pazara terkederken, Üçüncü Yol'un istihdam politikaları savaş sonrası dönemde olduğu gibi kamu kaynaklarını içerdiği görülmektedir. Bu farklılıklardan hareketle Sosyal Demokrasinin Üçüncü Yol bağlamında kırılmaya uğramadığı ya da neo-liberal çizgiye kaydığı eleştirisinin doğrulanmaktadır. Yeni Sağ ile Üçüncü Yol arasındaki farklılık Yedinci Bölümde Sosyal Demokrasinin sosyal adalet ilkesi çerçevesinde incelenmiştir.

Yedinci Bölümde önceki bölümlerde değişimin gösterilmesinin aksine Sosyal Demokraside sürekliliği görebileceğimiz değerleri savı bağlamında, onun sosyal adalet kavramsallaştırması incelenmiştir. Sosyal adalet bu tezde Sosyal Demokrasinin tanımlayıcı ögesi olarak sunulmuştur: Sosyal Demokrasi *kapitalizm içinde sosyal adaleti sağlamaya çalışan bir hareket* olarak tanımlanmıştır. Sosyal Demokrasinin Liberalizm ve Marksizm'den farklılığını, onun sosyal adaleti/eşitliği kavramsallaştırmasında görülebilir. Liberalizmden farklı olarak, pozitif fırsat eşitliğini savunması; Marksizmden farklı olarak ise bazı eşitsizliklerin varolacağını kabul etmesidir.

Bu bölümde savaş sonrası dönemde sosyal adaletin hayata geçirilmesinde ve geliştirilmesinde hangi toplumsal-iktisadi politikaların kullanıldığı ve geliştirme düzeyinin hızı incelenmiştir. Bu dönemde Keynesyen politikalar ile sağlanacak hızlı büyüme sosyal adaletin hayata geçirilmesi için temel hedef olarak alınmıştır. Bu sav, sosyal demokratların büyümenin hem tam istihdamı sağlayacağı hem de refah devletinin artacak finansmanını karşılayacağı düşünceleri üzerine

oturtulmuştur. İşte bu yüzden de, yukarıda da değinildiği gibi sosyal demokrat ilkelerin hayata geçirilmesinde bir toplumsal politika aracı olarak kamulaştırmanın gereksiz olduğu sonucuna varılarak, 1980'den çok önce terkedilmiştir.

Hem küreselleşme koşullarında Sosyal Demokrasinin geçerliliğini gösterebilecek, hem de Üçüncü Yolun sosyal demokrat gelenek içindeki yeri (süreklilik ve değişim veya kırılma) konusunda önemli bulgular sunabilecek olması gerekçesiyle Blair hükümetlerinin 1997-2005 yılları arasında refah harcamalarına yaptıkları katkı ile 1980 öncesi BLP iktidarlarının katkıları karşılatılmıştır. Karşılaştırma göstermiştir ki, Üçüncü yol hükümetlerinin refah harcamalarına katkısı 1980 öncesi İşçi hükümetleri ile aynı düzeydedir; sağlık ve eğitim harcamalarında ekonomik büyümenin üzerinde artırılmıştır. Bu bağlamda, BLP ile Muhafazakar Parti (CP) arasında fark olup olmadığını, yani Üçüncü Yolun neo-liberal çizgide olup olmadığını sorgulamak amacıyla, bu iki partinin 2005 seçim beyannameleri de karşılatılmıştır. Karşılaştırma, BLP'nin CP ile aynı çizgide oldukları savını doğrulamamaktadır, çünkü CP refah harcamalarını kısacağı belirtilirken, BLP artıracığını beyan etmiştir. Üçüncü Yol'un küresel koşullarda iktidarda olduğunu da göz önüne alarak bu veriler bağlamında, hem Sosyal Demokrasinin küreselleşme koşullarında geçerliliğini yitirdiği hem de onun Yeni Sağ çizgiye kaydığı suçlamasının geçerli olmadığı ileri sürülmüştür.

Yedinci Bölümde son olarak küreselleşmeye parti siyaseti dışında sosyal demokrat yanıtın olup olmadığı da araştırılmıştır. Bu bağlamda Giddens, Held, West, Gosepath ve Pogge gibi siyaset bilimcilerinin düşünceleri incelenmiştir. Bu inceleme sonucunda, küreselleşmeye yanıt olarak getirilen önerilerin neo-liberal ve Marksist önerilerden farklı olduğu, hatta bu önerilerin sosyal demokrat gelenek ile uyumlu olduğu savunulmuştur. Bu önerilerinden başlıcaları şunlardır: Ulusüstü kuruluşların gelişmekte olan ülkeler lehine yeniden yapılandırılması, Tobin vergisi, uluslararası sermaye hareketlerinin düzenlenmesi ve gelişmiş ülkelerin pazarlarını geliştirmekte olan ülkelere açmaları. Gosepath ve Pogge küresel (sosyal) adalet kavramını temellendirmeye çalışmaktadırlar. Burada altı çizilen bir nokta da, bu önerilerin ulus-devleti dışlamadığıdır. Küresel adalet önerisi yerel ve ulusal düzeyde yapılabileceklerle ya da ulusal düzeyde yapılamayacak olanlara ek olarak ulus-üstü/küresel düzeyde yapılacakları içermektedir. Diğer bir deyişle, küresel adalet önerisi hala yerel ve ulusal düzeyde sosyal adaleti hayata geçirmek için bir

şeylerin yapılabileceğini de içermektedir. Bu veriler ışığında, konunun daha da detaylandırılması gerekliliği vurgulansa da, küreselleşme koşullarında Sosyal Demokrasinin geçerliliğinin süreceği ve bu geçerliliğin de onun sosyal adalet gibi tanımlayıcı ilkelerinden birisinin incelenmesi ile ulaşıldığı ileri sürülmüştür.

Bu savlar ışığında, yukarıda da belirtildiği gibi Sosyal Demokrasi *kapitalizm içinde sosyal adaleti güden bir hareket* olarak tanımlanmıştır. Sosyal Demokrasinin bu şekilde tanımlanması, ona ilişkin yapılan incelemelerin demokrasi, ilerlemecilik (sosyal hareket) ve sosyal adalet gibi değerleri de içermesi gerektiğini öngörmektedir. Bu tanımın diğer bir sonucu da, sosyal demokrat politikaların değiştirilebileceğidir. Bunun nedeni, Sosyal Demokrasinin tanımlayıcı öğelerinin onun toplumsal-iktisadi politikalarının olmadığı, fakat ilkeleri olduğu ve bu ilkelerin hayata geçirilmesi için farklı toplumsal-iktisadi politikaların kullanılabileceğidir. Nitekim Sosyal Demokrasi de politikalarını değişen koşullara uyarlamıştır (değiştirmiştir). Bu tanım, Sosyal Demokrasinin salt sosyal demokrat partiler üzerinden de incelenmesini dışlamaktadır, çünkü Sosyal Demokrasi sosyal demokrat partilerin ortak özelikleri olarak değil, bir harekettir. Sosyal hareketlerin tanımlayıcı özelliği ilkeleri iken, siyasal partiler daha çok toplumsal-iktisadi politikalar üzerinden şekillenmektedirler ve içinde bulunan güncel koşulların etkisi ile yön değiştirebilmektedirler. Sonuç olarak, bu tezde önerilen tanım çerçevesinde Sosyal Demokrasinin küresel koşullarda geçerli olduğu savunulmuştur.

## APPENDIX-B

### CURRICULUM VITAE

#### PERSONAL INFORMATION

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#### EDUCATION

Degree	Institution	Year of Graduation
MA	Wollongong University, History and Politics Depart	1998
BA	AU Public Admin. Dep.	1991
High School	Türkoğlu High School, K.Maraş	1986

#### WORK EXPERIENCE

Year	Place	Enrollment
1993- 1998	Mersin University	Research Assistance
1998-Present	METU Political Science and Public Admin. Dep.	Research Assistance

## **FOREIGN LANGUAGES**

Advanced English

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