Globalisation, National Differences and the Rethinking of Social Democracy: Third Ways in Britain and Europe

Luke Martell, University of Sussex, 2002

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The idea of the third way has emerged from centre-left rethinking in the 1980s, especially in the USA and Britain. It has also caught on elsewhere in Europe and in other parts of the world. In this paper I will discuss what the third way involves, how it differs from the first and second ways and how it compares to other social democratic responses to social changes such as globalisation. I will discuss the values of the third way and what it envisages as the role for government. I will argue that while common third way agendas are popular across Europe, how they turn out will vary according to national institutions and cultures and that many variations in third ways can be linked to left-right divides. In the UK New Labour’s third way has tried to tackle social exclusion and failings in public services but the adoption of an Anglo-American neo-liberal economic model undermines goals such as equality, the eradication of poverty and responsiveness to stakeholders other than shareholders. My argument will be that even in the era of globalisation and the third way, national differences and Left and Right still matter.

Old left and new right: the first and second ways

Let me start with Britain. Within New Labour in Britain, the third way is defined as ‘beyond old left and new right’ (see, for example, Blair 1998). By ‘old left’, Labour modernisers mean the social democratic Labour politics of the post-war period. They mean the Keynesian, egalitarian social democrats who tended to favour state and corporatist economic and welfare governance within a mixed economy. They accuse this ‘old left’ of being too statist and concerned with tax and spend policies and the redistribution rather than creation of wealth. They are seen as having been too willing to grant rights but not demand responsibilities and too liberal and individualist in terms of social behaviour and social relationships such as the family. New Labour’s third way is concerned to find alternatives to state provision and government control, promote wealth creation by accepting inequalities and being fiscally ‘prudent’, and match rights with responsibilities.

1 This paper is based on joint research done with Stephen Driver – see Driver and Martell (2002) - but I am responsible for the views expressed here.
By ‘new right’, Labour modernizers mean Thatcherite conservatism. New Labour accuses Conservative governments of having been too neo-liberal by favouring market solutions too often and having a minimal view of the state. They are said to have promoted an asocial view of society and an economic individualism that values individual gain above wider social values. New Labour argue for a third way that will promote wealth creation but also social justice, and the market but also community. They say they embrace private enterprise but don’t automatically favour market solutions. They endorse a positive role for the state - for example, in welfare to work policies to solve unemployment. And they argue that they offer a communitarian rather than individualist view of society, in which it is the role of governments to promote community.

It is possible to create caricatures of the alternatives. The ‘old left’ includes disparate political positions under one label - from the social democracy of Tony Crosland in the 1950s and 1960s to the state socialism of the Alternative Economic Strategy in the late 1970s and early 1980s. And a view of the ‘new right’ as neo-liberal needs to take into account also the conservative social interventions of ‘80s and ‘90s Conservative governments, the growth in economic regulations (that followed from the expansion of privatisation and competition) and the centralisation of government.

Globalisation, social democracy and the third way

Third way advocates argue that late 20th and early 21st century society is experiencing significant social changes which call into question existing political and policy-making frameworks. New social changes require a new political way. Globalisation gets special emphasis.

Third way rethinking is required to respond to these new social changes. For Blair, post-war social democracy ‘proved steadily less viable’ (p5) as economic conditions changed as a result of globalisation. In particular, Keynesian economic management to achieve full employment is seen as redundant in the context of a global economy. Capital is globally mobile so governments need to adjust their policies to be business-friendly and promote skills and so attract investment. Consumers buy goods from all over the world, so pouring money into your own national economy to promote demand, Keynesian style, could just stimulate the buying of overseas rather than domestic goods. The global economy is increasingly interdependent so governments need to promote free trade, rather than protectionism and regulation, to stimulate growth. Hence economic policies which emphasise special treatment for business, the promotion of economic stability and liberalisation and an educated workforce to attract investment.
Meanwhile in an economy increasingly based on new information and communication technologies, individuals need the education and training appropriate to these conditions. In these circumstances, it is argued, competing goals of economic success and social justice can be squared, the priorities of Right and Left reconciled. Government promotes economic growth by creating stable macro-economic conditions and an educated workforce; at the same time its interventions to promote workers’ skills increase opportunities for individuals and social inclusion.

There are three main possible social democratic responses to globalisation: neo-liberalism, national social democracy or global social democracy.

**Neo-liberalism**

Neo-liberalism is, to some extent, the road that the third way has gone down, especially in the case of New Labour in Britain. In this approach macro-economic policy aims to reduce obstacles to the competitiveness of domestic capital, such as taxation or costs imposed by social regulations. It aims to attract investment and deter capital from leaving the country. Policy is based on national-competitiveness and the pursuit of policies which are seen to favour private business. They may include low business taxes, labour market flexibility, macro-economic stability, an emphasis on fiscal prudence and restrictions on public spending and business regulations.

From this point of view neo-liberal Anglo-American capitalism seems to have an advantage over other forms which have higher taxes, regulation and corporatist constraints. And the neo-liberal approach leads to policy convergence between social democratic parties and parties of the Right. Where this is the response to globalisation the social democratic consensus of the post-war period appears to be replaced by a neo-liberal consensus from the 1990s onwards.

This is not to say that such policies are always forced on social democrats externally, as some of them claim, or just passively acquiesced to as critics might say. They may well be an actively chosen response to globalisation, out of ideological commitment as much as necessity. And neo-liberal policies could be based on the perception as much as the reality of globalisation. Furthermore third way policies need not involve completely giving in to business desires or neo-liberalism. They can involve the government introducing measures they regard as favourable to a healthy business environment, which some in the business world may not favour, eg measures to protect competition and prevent monopolies. The third way in practice includes policies on social inclusion and minimum opportunities, and a commitment to spending on education and health. This demonstrates that national governments can continue with moderately social democratic policies within the context of neo-liberalism. However there may be a clash between the
social democratic goal of social justice and neo-liberalism. Favouring Anglo-American neo-liberalism means that stakeholders beyond shareholders – eg workers, local communities and consumers – can be ignored, as can long term rather than short term priorities. And while neo-liberalism may produce competitive dynamism it may also reproduce insecurity, inequality and poverty, so undermining the social justice and social democratic parts of the third way.

**National social democracy**

A second response to economic globalisation involves using autonomy and choice at the national level to pursue social democracy despite globalisation. This goes against the third way view that there is no alternative to the neo-liberal response to globalisation. A number of possible policy spaces for national social democracy have been highlighted by authors such as Garrett (1998), Vandenbroucke (1998), Wickham-Jones (2000) and Hay (2000). The business-friendly approach is said to give too much determining and constraining power to globalisation and underplay the extent to which restraints on taking a social democratic path have been as much domestic and internal as external. Hay, for example, argues that globalisation has been less of a constraint on the pursuit of social democratic policies in the UK than political will or the internalisation of the idea of globalisation. He argues that the British Labour Party could choose to follow a different path – one which was less neo-liberal and instead attempted a more interventionist approach.

For Vandenbroucke, it is internal domestic constraints that have affected possibilities for social democratic policies more than external constraints. He is dubious of the claims of those such as Giddens (1994, 1998) that Keynesianism is dead. Countries such as the Netherlands, which are very exposed to the global economy, have managed to maintain redistributive policies. Welfare states have remained larger in small countries most open to the global economy. More neo-liberal paths have occurred in contexts which lack the culture of consensus or of strong unions integrated into politics that can be found in the Netherlands. This suggests that policy choice may be as much a matter of domestic circumstances as global pressures. And it shows that in actual fact governments have not converged around neo-liberalism and there remain significant differences between national economies and welfare states.

Three possibilities are put forward by authors such as these for ways in which governments can pursue social democratic ends whilst not leading to exit by capital. Firstly, national governments have a great deal of national autonomy outside the realm of the economy narrowly defined. Whatever the fact of economic globalisation, they can pursue reforms to welfare, education, health, defence, and law and order which may be different to right-wing preferences without necessarily frightening off capital. These are areas where New Labour have followed their own
policies and where policy variation is possible between national parties or across nations despite globalisation.

Secondly, Garrett, Vandenbroucke and Wickham-Jones argue that a social democratic government in a country where trade unions cover a range of the workforce, and are united, strong and can command the obedience of their memberships, can make deals with capital, promising moderation in wage demands in return for agreement to redistributive, Keynesian or other social democratic ends (see also Huber and Stephens 2002). Countries such as the Netherlands may be in a better position to succeed with this approach than others like the UK where broad union membership and centralised conformity in the union movement does not exist and conflict or the exclusion of unions is historically more characteristic of industrial relations than consensus. So this path is not much of a possibility for the British Labour government, but more because of internal constraints than the external power of globalisation.

Thirdly, there may be other things that social democratic governments can offer business which would make it worthwhile for the latter sticking around and accepting social democratic interventions: collective goods in the form of, say, supply-side interventions in infrastructure, research and development or training and education - things the market alone will not supply adequately - or policies which deliver economic, political and social stability. Clearly some social democratic governments, New Labour included, have tried a moderate form of this supply-side and stability approach and have managed to pursue modest social goals. However, it is unclear whether such strategies, which put a heavy emphasis on human capital, can provide the economic prosperity and stability employers require. Economic success is based on wider factors – some of which are out of the hands of national governments. Furthermore supply-side strategies may be insufficient to deliver significant social democratic goals. For that, Vandenbroucke (1998) argues, more directly redistributional and Keynesian approaches are needed.

Globalist social democracy

Another perspective is that, while governments may be able to do social democratic things within their own boundaries, the approach just outlined stays too much at a national level. While national concessions can maybe be won for social democracy, such an approach by itself leaves out the necessity for engagement with international organisations and the possibilities that could be pursued at a supra-national level by social democratic governments. In addition national strategies pitch one national social democratic government against another too much, each pursuing their own national interest and competitiveness rather than common cross-national social interests.
This leads to the third response to globalisation – globalist social democracy. This envisages social democracy organising politically at supra-national levels in response to the globalisation of the economy, politics, and the military. It envisages that global regimes can regulate globalised capitalism, explore new modes of redistribution globally and protect those excluded from the labour market internationally. It proposes creating supra-national political institutions where social democrats pursue social democratic policies and objectives. Nations, which together have a monopoly on the workforces and consumer markets that businesses need, can collaborate to enforce common standards and regulations on companies and common social and redistributive programmes. Then businesses will be left with nowhere realistic to go and will need to reconcile themselves to such norms. A proactive, combined, political globalisation might allow for a more social and egalitarian agenda of a traditional social democratic sort.

David Held is a prominent advocate of globalist democracy and his proposals have a social democratic slant (see Held 1995, 2000; Archibugi et al 1998; Archibugi and Held 1995; McGrew 1997). Held does not argue that the nation-state has lost its role. His prescriptions are compatible with the national social democracy outlined above. In fact he argues that states have initiated many of the global changes, are active participants in them and may even be more powerful today than their predecessors. But he does argue that politics has been globalised and that nation-state powers are being reconfigured. Human rights, security and defence, environmental problems, drugs, crime and terrorism are global problems that increasingly involve global political responses. The deregulation of capital markets has increased the power of capital in relation to states and labour. Nation-states have to share power with a myriad of other agencies at all levels and nations cannot, therefore, be said to be self-determining collectivities. The fate of nations is determined partly by forces beyond the national level, both political and otherwise, and so nation-states have to build political forms at wider levels to control their fates. Institutions developing in such a global direction already, he says, exist. They include the UN which delivers international public goods (in air traffic control, telecommunications, disease control, refugee aid, peacekeeping and environmental protection, for instance) and the EU which pools national sovereignty in some areas of common concern (including social rights and the [de]regulation of markets). Furthermore, international law exists on war crimes, environmental issues and human rights.

Writers like Held argue that this globalisation of democracy can be deepened by immediate steps such as increasing common international regulations on markets (on child labour, union and workers’ rights and participation, health and safety and social rights). New forms of economic co-ordination could be introduced to overcome fragmentation between bodies such as the IMF, World Bank, OECD and G7, stave off financial emergencies, and steer international capital markets and
investment. Measures to regulate the volatility of capital markets and speculation can be introduced – via taxes on turnover in foreign exchange markets and currency speculation, capital controls and regulations to ensure the transparency of bank accounting. Held proposes greater accountability and regulation in institutions for the co-ordination of investment, production and trade, and greater responsiveness to less developed countries needs. All this requires the reform and extension of transnational forms of democracy, such as found in the EU, the UN, international financial organisations and human rights regimes. Already there are social democratic parties pushing in such directions – for example, within the EU to greater integration, inclusion and democratisation in policies on, for instance, monetary union and enlargement. (For problems with global social democracy see Martell 2001).

**New times but old values: from equality to minimum opportunities**

So globalisation provides a chief part of the social context for the third way and the rethinking of social democracy. What about the values that third way politics promotes? Tony Blair (1998) has tended to identify two main values of the third way – equal opportunities and community (see also LeGrand 1998, Giddens 1998, White 1998, Latham 2001).

New Labour’s proposals for equal opportunities are connected to the view that individuals need positive resources to develop, and not just the formal, legal (or negative) freedom that the Right focuses on. In this case resources include things like educational opportunities and access to the labour market. Equal opportunities do not only go beyond the New Right, though, but also depart from left-wing egalitarianism. Blair argues that ‘opportunity for all’ is mainly concerned with opportunities and not outcomes: ‘The Left... has in the past too readily downplayed its duty to promote a wide range of opportunities for individuals to advance themselves and their families. At worst, it has stifled opportunity in the name of abstract equality’ (Blair 1998: 3; see also Brown 1997). By ‘abstract equality’ Blair means equality of outcome.

While he goes on to suggest that ‘the progressive Left must robustly tackle the obstacles to true equality of opportunity’, and that these might include ‘gross inequalities... handed down from generation to generation’, Blair proposes a mainly meritocratic understanding of equality. Inequality is a necessary part of a market economy, an important incentive and often deserved. White and Giaimo argue that one reading of this is as a ‘Left Thatcherism’ – ‘an ideology which says that we should try to ensure citizens roughly equal initial endowments of marketable assets and then let the free market rip’ (2001: 216). For Merkel, the trend in social democracy under the British third way has been ‘to the recognition of societal inequality as a legitimate and functional stratification pattern in highly developed
market economies under the conditions of globalised economic transactions' (2001: 50). Supporters of the third way ‘seem fully prepared to accept greater income inequality as a market and policy outcome. Their acceptance ends only at the point where this leads to voluntary and involuntary exclusion in the higher and lower strata of society’ (ibid: 53). In Blair’s case the focus may be more on involuntary exclusion at the bottom than voluntary exclusion at the top. Giddens (2002) argues that equal opportunities cannot be divorced from more equal outcomes because some commitment to redistributional equality, in which income and/or wealth is more equally spread, is a precursor to equal opportunities\(^2\). Inequalities in economic outcomes are themselves a basis for unequal opportunities. For Callinicos (2001) New Labour’s neo-liberalism has led them to abandon the sort of redistributional egalitarianism that is necessary for equality of opportunity: Here is a place where a tension between Labour’s neo-liberalism and their egalitarianism has had to be resolved and it has been done so in favour of the former over the latter.

So New Labour’s focus is more on opportunities than greater equal outcomes. As far as opportunity goes their focus is as much on greater chances for those excluded from basic, minimum opportunities as on equalising opportunities. This leads, to some extent, to greater equality of opportunities as those excluded from fair chances get better access to them and, consequently, more equal opportunities relative to others than before. But a key characteristic of this approach is an orientation to *inclusion* into the world of opportunities as much as *equality* of opportunity within it. On the basis of minimum opportunities for the socially excluded there can still be inequalities in opportunities. Speaking to a 1999 conference of third way politicians the political philosopher Ronald Dworkin warned that the third way had replaced ‘equality’ as an objective with ‘sufficiency’ in which ‘once those minimal standards are met, government has no further obligation to make people equal in anything’ (2001: 172).

The second value the British third way tends to emphasise is responsibility or community. Blair argues that individuals should not just claim rights from the state but also accept their responsibilities and duties as citizens, parents and members of communities. So obligations are expected in concrete policies directed at welfare claimants, parents and children. And there are policies related to institutions in civil society - such as the family and voluntary organisations - which are aimed at promoting individual opportunity but also building responsibility.

The third way discourse of community differs in emphasis from more traditional social democratic ideas of social and economic community (see Driver and Martell 1997). The latter are based on greater equality and universal experience of services

\(^2\) Although Giddens also proposes an approach which goes against the egalitarianism he defends here.
such as welfare, health and education and stress the obligations of business to the community (even if this was not always followed in practice as effectively as it could have been). The third way is based more on opportunities than greater equality of outcomes. It retains an emphasis on universal, collective services such as health and education but some of its social policies make welfare more selective and targeted. The third way has a more business-friendly tone that stresses, rhetorically at least, moral as well as socio-economic community and work. Responsibility of the citizen to the community is emphasised relatively more than corporate obligations. The latter is more part of the ideas of traditional social democracy than of the third way. Community is less linked to class than to moral cohesion and social inclusion.

**The third way and the role for government: old values but new means**

Advocates of the third way often claim to be pragmatic as far as the means for achieving their objectives and the role for government go – simply committed to what works best rather than to any ideological predispositions of Left or Right about state and market or public and private provision (eg Blair 1998). For Blair, as times change, so must the means to achieve centre-left values; it is the values, not how they are achieved, which matter. Being pragmatic rather than ideological about the choice of means is central to New Labour’s case for there being a third way between old left and new right. Meanwhile, maintaining that while the means of social democracy may change the values remain the same is central to the idea that the third way remains on the centre-left.

The third way debate about public policy reflects a wider preoccupation with the appropriate role for government in a market society. Bill Clinton argued that the third way offered a new way between the Left’s ‘big government’ and the Right’s attempts to dismantle it, all part of a debate about the balance between the state and the market and public and private provision. New Labour is pragmatic, Le Grand (1998) argues, in that it has no automatic commitment to either the public sector (as ‘old left’ social democrats did) or the private sector (as ‘new right’ neo-liberals do). New Labour’s third way approach to public policy is said to break with the state/market approach by being more pragmatic and less ideological about them. For the third way there is an active role for government but one that breaks with state versus market approaches of the ‘old left’ and ‘new right’.

Third way ideas about the role for government can be seen in a number of areas:

♦ government working in ‘partnership’ with the private and voluntary sectors (eg in the New Deal and public-private co-operation in health and education, such as hospital building or private sector school management; and partnership with the voluntary sector in supporting the family, welfare and work);
government regulating and acting as a guarantor but not direct provider of public goods or of basic standards (eg in the case of the minimum wage and sub-contracted local government services such as refuse collection);

the reform or ‘reinventing’ of government and public administration (eg government departments and agencies working together to tackle complex social problems - so-called ‘joined-up government’);

the welfare state working ‘proactively’ to help individuals off social security and into work (‘employment-centred social policy’ or the ‘social investment state’) rather than leaving it to market forces or direct state provision of welfare or jobs;

government providing public goods (such as childcare, education and training) to facilitate greater equality of opportunity (‘asset-based egalitarianism’);

government targeting social policy on the socially excluded but also encouraging greater individual responsibility for welfare provision (eg ‘stakeholder pensions’ and obligations on welfare claimants to take training or work experience);

and government redrawing the ‘social contract’ - rights to welfare being more matched than before by responsibilities, especially regarding work.

For the third way, then, the role of government is different from that proposed by the ‘old left’ one in its willingness to pursue public intervention in the economy and society which replace its role as the direct provider of public goods. It is different from ‘new right’ conceptions of government in its wider definition of public goods, especially in social policy, and in a more active and interventionist role for the state than one which leaves it more predominantly to the market or to individuals to help themselves.

Such policies are not original or exclusive to the third way. Many of these approaches, like public-private partnerships or ‘reinventing government’, were features of previous Conservative administrations. Governments of the Right, at state level in the USA or national governments like that of José María Aznar in Spain, are attracted by some of these methods. The third way appears here to be more a mix of Right and Left than something wholly of the centre-left. Furthermore it can be seen as making a significant shift to the right in terms of the role it gives to privatisation and the role of the private sector and individual self-responsibility in public services.
For Plant (2001) New Labour fetishise means too much, stressing them as the arena in which change has happened and underplaying the extent to which the third way also involves shifts in ends or values. Changing means may affect the ends they are supposed to achieve. So a shift from policies of public ownership, Keynesian economics and tax redistribution affects whether centre-left ends such as equality can be pursued. Without such means the ends they were intended to achieve may become less realisable. A bias to private ownership and supply-side economics and inclusion strategies are less amenable to egalitarian redistribution and more to minimum opportunities within an inegalitarian market economy. Similarly a shift away from ideas of, for instance, a universal welfare state and the comprehensive ideal in education affects whether certain kinds of equality and community can be achieved. Targeted welfare and a pluralistic education system, whatever their vices or virtues, undermine egalitarianism as a goal and take away some means for achieving community.

**Beyond Left and Right……or just beyond Left?**

Does the third way, then, as Bobbio (1996) has asked, transcend Left and Right and make such categories redundant? Or is it a cobbling together of different intellectual positions combining principles and practices which could cohere or be contradictory and mutually undermining? Or is it just a semantic disguise for a shift to the Right?

My argument is that the third way involves the combination rather than transcendence of Left and Right. Principles such as equality, efficiency, autonomy and pluralism, over which the Left and Right have long been divided, get mixed together rather than left behind. The third way is overall neither exclusively Left or Right but combines them.

Blair has argued that public policy ‘should and will cross the boundaries between left and right, liberal and conservative’ (Blair 1995). He suggests that the third way offers 'a popular politics reconciling themes which in the past have wrongly been regarded as antagonistic' (Blair 1998: 1). So, for him the third way involves both economic efficiency and social justice, a market economy with social cohesion, rights and also responsibilities, suggesting that such opposites can be compatible or mutually supporting and not necessarily contradictory as conventionally thought. Social justice, for instance, can be supported by ensuring everyone has the education and training needed to give them a fair chance in life. This also underpins economic efficiency by providing a skilled workforce which can attract investment and enhance productivity in the global economy. You can have social justice and economic efficiency at the same time.
Blair offers examples of third way policies which he sees as crossing traditional political divides:

♦ cutting taxes on business and also introducing a minimum wage;
♦ giving the Bank of England independence and developing a programme of welfare to work to promote social inclusion;
♦ reforming schools to give marginalised children better chances but also tough policies on juvenile crime;
♦ giving central government ‘greater strategic capacity’ while also introducing devolution;
♦ more money for health and education alongside tight limits to the overall level of government spending or limits on income tax.

For Blair, what is distinctive about his third way approach is the combination of these apparently very different alternatives. The New Deal illustrates the idea that autonomy, opportunity and rights can be balanced with responsibilities. The third way also allows the Labour government to have a pluralist approach to policy-making, in the sense that certain principles operate in some spheres of policy-making and not in others: for example, rights-based liberal individualism in constitutional reform but some social conservatism in education and the criminal justice system.

This notion of a mix of values and approaches gives a better picture of the third way than the idea that it is a synthesis of Left and Right or transcends them. But in such mixtures trade-offs have to happen and the third way often appears to try to combine contrary principles. Co-existence, compatibility or even reciprocity between different principles may be possible in some particular circumstances, but they often also involve different interests and tensions. A more neoliberal economic approach which leads to insecurity and inequality can undermine or be contradicted by a social justice approach based on inclusion and the erosion of poverty. It is not as easy to be all things to all people as third way politicians like to make out.

As a perspective that combines different principles the third way cannot be said to be a coherent ideology or philosophy. There is no systematic, consistent guide to action or to which principles should be favoured in circumstances where they clash. So the third way is more of a framework than a philosophy, more of a space between other alternatives within which policy can be developed rather than a hard and fast guide to policy-making (White 2001, Giddens 2001). What decisions and ‘hard choices’ should be made in adjudicating between contrary principles is left
open. So, in economic policy a commitment to minimum opportunities may come into conflict with a commitment to a successful market economy. In fact choosing the market economy is one reason why egalitarian redistribution has been downgraded in Labour’s approach. Giddens (2001), for example, expresses sympathy for egalitarian redistribution, the European social model and global economic regulation including policies such as taxes on currency speculation. Yet he also rejects demand management and a role for government in supporting ailing industries and enthuses about flexible labour markets. Where some commitments undermine others, and how choices might be made between them where they clash, is not considered in this attempt to provide the best of all worlds.

Some of these trade-offs and conflicts between principles get resolved by the adoption of the perspective of the Right and one view of the third way is of it as just consolidating a new right consensus – not so much beyond Left and Right as just beyond Left (Hall 1994, Hall and Jacques 1997, Hall 1998, Hay 1999). Certainly in Britain the political agenda shifted to the Right under Mrs Thatcher and the main political parties are now fighting on a similar post-Thatcherite terrain. The case for the idea of a shift to a new right consensus is based on Labour’s adoption of a macro-economic approach that favours low inflation, spending limits, privatisation, deregulation, stability and other conditions favourable to private business, such as low corporate taxes. Criticisms of Blair from other European social democrats are often for him giving in too much to the Right. Certainly the neoliberalism of the Anglo-American model can undermine the third way’s claim to combine economic efficiency with social justice. The Anglo-American model causes inequality and insecurity, sometimes poverty, and is responsive to the short term interests of shareholders at the expense of longer term interests and wider stakeholders. But in other public policy areas - the labour market (the minimum wage, the Social Chapter), constitutional reform, increases in taxation to fund improved public services, public spending on health and education, the scale and scope of the New Deal - it is possible to identify sentiments of Left. Many of these differences involve a combination of small practical measures based in centre-left values and involve important symbolic differences from the Right. There has been a shift to the Right in social democracy but not a complete one.

**Third ways not third way: Left and Right**

So there is a mixture of Left and Right in the space between old left and new right, a mixture of ideology and pragmatism and of different responses to differently interpreted social changes. There is also room here for a number of third ways and for the third way to be interpreted or implemented differently in different contexts (see White 1998). Some of the outcomes of this may be more Left and others more Right.
Stuart White (1998) argues that third way values of ‘real opportunity’, ‘civic responsibility’ and ‘community’ are open to different interpretations, not all of which will fall on the centre-left. Some crucial differences of interpretation are over equality and divide along Left and Right lines. Leftists would like to see greater redistribution of income and wealth rather than of just opportunities; and critics such as Roy Hattersley (1997a and 1997b; see also Levitas 1999) have condemned New Labour’s shift from equality of outcome to meritocracy and inclusion. Giddens (1998, 1999, 2001, 2002) also launches a stern attack on the inadequacy of meritocracy and equality of opportunity alone (although, as we have seen, this leftist moment is contradicted by his more economically liberal third way inclinations).

In identifying third ways old political labels continue to be useful. Versions of the third way are more Left or Right, or more or less social democratic. Criticisms and defences of Blair’s third way often break down along such lines. A social democratic third way, whether it is actually called that or not, is discernible (see Gamble and Wright 1999 and the ‘new social democracy’). Equally apparent are third ways to the Right, including elements in Blair’s own approach, which share less with the centre-left. In this way, Left and Right divisions have not been left behind.

Such divisions also apply to social democratic paths taken beyond the United Kingdom, and underpin the reception of the third way elsewhere. Between Britain and other parts of Europe there are differences over what the third way does or should mean. These often have a lot to do with differences in national institutions and cultures as well as with Left-Right divisions but these two axes of difference cross-cut one another.

**Commonalities in Third Ways in the USA and across Europe**

Across Europe and elsewhere third way ideas have caught on (eg, see Sassoon 1999 and Vandenbroucke 2001). Tony Blair has been keen to promote the third way abroad (Blair 1997, 1998) but some other centre-left parties were pursuing what have become known as third way policies before Blair. For some, commonalities around third way ideas are due to the fact that shared processes of globalisation are leading to the same sort of logical adaptations (Giddens 1998, Sassoon 1999). There may also be other common problems facing different national governments – pressures following from European integration, or problems for the welfare state such as demographic change and fiscal crisis. I will look first at common patterns in third ways across Britain, the USA and Europe, before moving on to examine the way national institutions and cultures lead third ways to take different forms in different places.
Some credit US President Bill Clinton as the first populariser of the idea and policies of the third way. Clinton and Blair both came to power against the backdrop of years of radical neo-liberal governments, as moderates within their own parties convinced that modernisation and a move to central ground was necessary for electoral success, placing importance on globalisation and the information economy and the priority for welfare reform, economic stability and fiscal prudence. Robert Reich, former Secretary of Labor under Clinton, declared in 1999 that ‘we are all third wayers now’ (Reich 1999). Reich argues that Western Europe and the USA shared a commitment to reducing budget deficits, to deregulation (in the USA) or privatisation (in Europe), an acceptance of globalisation in trade and the mobility of capital, and commitments to flexible labour markets and reductions in welfare. The US Democrats and New Labour, he argues, are also committed to reducing burdens and regulations on business and accept the growth of inequality. On these issues there may be some difference between the Anglo-American partners and their European counterparts, an issue I shall return to shortly.

Yet alongside this neo-liberalism there is also a commitment to government activism, making the British and USA ways third ways, departing from the old left but also more than just neo-liberalism (Jaenicke 2000). US and UK policies on social inclusion have both involved education and training, special support for families with children, and making sure that work is worthwhile for the poor, through tax credits for instance. Having said that, in the US and the UK one factor that limited such attempts was an emphasis on fiscal prudence and restrictions on tax rises for those who benefited under two decades of Reagan and Thatcher (Reich 1997 and 1999), not to mention other institutional and political obstacles faced especially in the USA (Weir 2001, Jaenicke 2000). Both Clinton and Blair’s welfare reforms have also been marked by conservative emphases, imposing obligations in return for welfare rights, or limiting rights to, or amounts of, benefits in some cases.

In Europe in the 1980s and 1990s commitments to low inflation and stability to some extent reduced the role of Keynesianism and full employment as main goals, leading to the rethinking of economic, employment and welfare policies. Many European social democrats were well ahead of the British in their moves in these directions. Before Tony Blair became Labour leader, the Dutch social democrats were adopting their pragmatic approach to the market and regulation, and promoting deregulation, privatisation and internal markets. They were practising sound public finances, implementing tax reductions and putting forward the work ethic, flexibility and training initiatives in the labour market and re-allocations of funding from social security to other areas, such as education. The Dutch social democrats have argued for and seemingly, to some extent, achieved what Blair aspires to: the combination of many of these liberal economic reforms on one hand with social cohesion and social justice on the other (deBeus 1999).
Across European social democracy, nationalisation has generally been discarded. Many social democratic governments talk of constructive partnership between business and government and are pursuing more ambitious privatisation programmes than Blair or their own conservative predecessors (Sassoon 1999). An openness to private enterprise and a non-dogmatic attitude to state ownership has long been part of Swedish social democracy. As a small country dependent on exports Sweden has accommodated itself to free trade and international competition for some time (Lindgren 1999). Well beyond Britain, social democrats propose active government, rather than the direct state intervention or *laissez-faire* of the first and second ways; business-friendly practices, such as lower business taxes, and increasing labour market flexibility are pursued; and restraints on public expenditure are being widely implemented in response to pressures such as EU convergence and the perceived globalisation of capital. Keeping inflation down is generally accepted as a prime target across Europe. Fiscal stability and curbing tax-and-spend policies are general commitments, as are the use of supply-side measures, subsidies and incentives to tackle unemployment. It is not only in the UK that small businesses and industrial innovation in hi-tech sectors are being promoted as the cutting edge of future growth.

The French socialists make the strongest noises about national uniqueness and a more traditional social democratic road. But beyond their policy for a 35-hour week some see differences from Blair in hard policies as often not fundamental (eg Sassoon 1999). Negotiations on Jospin’s reductions to the working week have actually led to agreements on greater labour market flexibility. While the British are reluctant to increase income taxes, there is widespread feeling in Germany that tax rates are too high and there are concerns to restructure the tax system. The principle of central bank independence has been broadly accepted, implemented in Sweden at the same time as in the UK and part of the German scene for decades (Sassoon 1999). Across Europe, from Jospin to Blair, social democrats wish to pursue reforms to international financial organisations.

Although welfare problems vary from nation to nation, comparable agendas of welfare reform are being discussed by many European social democrats across national boundaries (Vandenbroucke 2001). The Swedes have for decades been at the forefront of developing ‘workfare’ and active labour market policies based on education and training. While they remain attached to universalism, they are shifting away from the idea that the state should shoulder all the costs. The fiscal deficit and an increasing proportion of pensioners and students in the population have led Swedish social democrats to limit rises in social security (Lindgren 1999). Across Europe employment is seen as a key to welfare reform. People need a ‘hand up’ into paid work rather than the ‘handouts’ of welfare payments. It is perceived that welfare needs to be more responsive to changes in the family and gender roles and more attuned to balancing work and family life. Welfare is seen as being as
much about investment in education as spending on benefits (Vandenbroucke 2001). It is not just in Britain that welfare reform imposes obligations on the unemployed: the German SPD, for instance, has also been thinking along such lines. The advocacy of tough crime measures, the tying of rights to responsibilities and the prioritisation of education and training as routes to employment and fairer chances are defining features of New Labour that have also been rehearsed in the talk of other European Social Democratic parties.

**Third ways and national paths**

But the story is more complex than this. Despite globalisation and European integration, national differences are important. A commentator like Clift (2001) writes that ‘European social democratic parties are more similar now than at any time this century’ (p. 71). But he still makes the central aim of his essay on this topic explaining how the most notable feature of the European social democratic landscape remains difference along national lines. Vandenbroucke (2001) stresses ‘theoretical convergence’ among European social democratic parties in terms of the policy commonalities I have discussed, but also divergence in actual national models and policies: ‘convergence of view on this level of thinking will not necessarily lead to convergence on practical measures between countries due to their very different starting points’ (p.163). (See also: Kelly 1999, White 2001 part III, Lovecy 2000, Martell et al 2001).

For a large part of the 1980s the story was of Labour lagging behind its sister European social democratic parties in the march towards modernisation. It was attached to nationalisation, Keynesianism, unilateral nuclear disarmament, close links with the unions and a less than fulsome embrace of European integration, partly because the latter was seen as too capitalist. Yet in the 1990s Labour is seen as having leapfrogged European social democracy in the race to ‘modernise’. For some Blair has taken the politics of catch-up a little too far. At meetings of European social democrats Blair and Gordon Brown have tried to promote the virtues of liberalisation and free trade, labour market flexibility, welfare reform and cuts in regulation of business in pursuit of productivity and employment. Blair is said to have irritated fellow European social democrats who see him as lecturing them to adopt what is effectively just warmed-up Thatcherism.

The British third way has often been seen to contrast with the politics of those like the French Prime Minister Lionel Jospin who are not so opposed to the virtues of labour market regulation and public spending on job creation. Some social democrats among the Italians, French and Germans (but not many of their leaders) have argued for demand management (at a co-ordinated European level) to boost employment where British modernisers have focused more on advocating supply-side measures, arguing that the world has been changed so much by globalisation
that Keynesianism is dead (Clift 2001, Giddens 1994, 1998; Vandenbroucke 2001). At the same time the European Central bank, supported by most social democratic governments, has pursued a very tight and conservative monetary policy in recent years. It has been the Anglo-American central banks in the UK and US that have pursued a more active and growth-oriented monetary policy by aggressively cutting interest rates. British Chancellor Gordon Brown has come into conflict with European pressures to restrict government spending on public services in the UK. In Britain inclusion in the job market is seen as occurring essentially through private sector jobs whereas other European social democrats, like the French, have put greater emphasis on public sector job creation. The French socialist policy has been to decrease the average working week to 35 hours while the British have trouble legislating for anything lower than 48 hours. Jospin argues ‘yes to the market economy, no to the market society’, an approach within which he pursues widespread privatisation and deregulation but also the shorter working week and continued state intervention in the economy. (Bouvet and Michel 2001, Jospin 1999).

Meanwhile, the ‘social’ in Germany’s social market seems to require goals that go beyond inclusion and equality of opportunity to more egalitarian values and beyond laissez-faire to a more collaborative approach (Meyer 1999). In France, Germany, Sweden and elsewhere partnerships with the unions remain important, while New Labour has attempted to divorce itself from any special relationship with the unions, who emerged much weakened from the Thatcher years. For the Dutch and Swedes, politics is embedded in a social democratic political culture, emphasising consensus and continuity – the ‘polder model’ as it is known in the Netherlands – quite different to the competitive individualism and Conservative domination of the British context (van den Anker 2001).

Some of these differences in political culture have been shown in developments such as the hostile takeover bid launched by British mobile phone company Vodaphone aimed at German mobile operator Mannesman. In Germany such a hostile foreign takeover is unusual and caused great controversy. In Britain such events are more normal and pass with much less fuss. Similarly a paper jointly authored by British Prime Minister Blair and German Chancellor Gerhard Schröder (1999) which reflected many neo-liberal aspects of the third way caused a storm in Germany leading to Schröder distancing himself from some of its more neoliberal elements. In the UK the paper slipped by almost unnoticed. When British firm Marks and Spencers decided to shut stores in France it caused a storm there, while the lack of consultation with workers that this involved is normal in the UK. The liberalisation of labour laws brought thousands on to the streets of Italy. Labour market flexibility is part of the British way of life.
Welfare problems vary across Europe: pensions dominate the debate in Italy, Sweden, Germany and France; health expenditure - too low in Britain, too high in Germany; disability benefits in the Netherlands; unemployment in Germany and France; and poverty and exclusion in the UK (Kelly 1999). In Sweden there remains a stronger attachment to universal welfare than in some other places (Lindgren 1999). In Germany issues of citizenship and immigration take a particular form. The emphasis in foreign policy and in attitudes to the EU varies by nation. Britain’s response to economic globalisation emphasises national incentives to attract mobile capital and has tended to resist moves towards a European social model. Britain places especial rhetorical emphasis on national interest in domestic arguments for EU integration. Like the Swedes, the British remain open to economic globalisation but cautious about European political integration. At the level of rhetoric at least, Britain is more pro-American, which contrasts especially with the attitude of the French who like to cultivate their own ‘exceptionalism’. And Blair has been explicitly interventionist and active in military co-ordination, as evidenced by his leading role in the Kosovo war, European defence and the war against Afghanistan. Other social democrats in Europe have remained neutral true to national traditions, or shown greater qualifications about pursuing international military intervention or alliances with the USA, although this situation is uneven across Europe.

**Why national third ways? models of capitalism**

Why do differences happen? Different countries have their own historically developed economies, social structures, political systems and cultures which will affect rhetoric and policy (Vandenbroucke 1998, 2001; Martell et al 2001). For some, Blair and the US Democrats find a lot in common because they share the same Anglo-American tradition of capitalism: individualistic, *laissez-faire* and with limited government; flexible, less regulated with weak unions and a market-based and short-termist financial system. The Anglo-American model has relatively low unemployment but high inequality and poverty. This is seen to contrast with the ‘Rheinland’ model of capitalism predominant elsewhere in Europe where economic and political culture is more collaborative and corporatist, unions and partnership more important, finance is less market-based and longer term, and employment is more skilled, secure and better paid - in short where there is more of a ‘social market’ approach (Albert 1993; Hutton 1995). In Germany and other European countries there are more statist or collaborative political cultures reflected, for example, in the Blair/Schröder document by references to partnership with the trade unions. Such sentiments rarely feature in New Labour statements. France has a tradition of centralised government and state involvement in public services, much of this still intact despite the Jospin government’s privatisation programme. In Sweden and the Netherlands political culture is predominantly social democratic, consensual, solidaristic and mutual in contrast to the relatively more conservative, competitive and individualist culture of Anglo-Americanism. Furthermore language,
image and concepts differ according to national traditions. The French are much happier talking the language of solidarity, regulation and the state and the Germans of partnership and neo-corporatism, for example, than the British. 

While reform of the Labour Party in the late 1980s looked to European social democracy for ideas, with Blair’s accession to the leadership in 1994 Clinton and the New Democrats in the USA became a bigger influence and closer partners - and such differences between Anglo-Americanism and European models were probably reinforced (Clift 2001). More recently a key factor in national political differences has been the reconstruction of the economic and political landscape by Thatcherism. The USA, like Britain, went through a radical right-wing experience under the Republican government of Ronald Reagan. Throughout the 1980s Labour was forced to confront the reforms of Conservative governments: fiscal conservatism, anti-inflationary policies, trade union legislation, privatisation, deregulation of the labour market and reforms to health, education and housing. Blair’s third way is a post-Thatcherite project, defined by inheritance of the Thatcherite legacy alongside a reaction against it in policies geared towards political devolution and social inclusion (Driver and Martell 1998). The context that has led to this configuration has not existed to the same extent in other European countries. There governments of the right in the 1980s did not carry out experiments as radical as those in Britain and the USA. Blair’s rhetoric is more pro-market and friendly to private business than, say, Jospin’s in part because of the economic and political landscape he has inherited and had to work upon. This landscape also makes Blair more left-wing in the UK context than he would be in other European countries – reforms which may seem less notable in other European countries (the introduction of a minimum wage or devolved assemblies, for instance) amount to a shift in a leftwards and pluralist direction in the UK compared to the Thatcherite past. Neoliberal policies that constitute a sharp move to the Right in some other European countries are more a matter of continuity in the UK.

Why national third ways? political influences

Elsewhere in Europe there are other pressures on social democrats that do not exist to the same extent in Britain and these may also affect the different emphases of political rhetoric between countries and the varying forms that common policy agendas may take in practice (Lovecy 2000). Because of the first-past-the-post British political system, Blair has an absolute majority of seats. He does not have to compromise with left-wing or green coalition partners as in France, Germany, Italy, Denmark and Sweden. Moreover, coalitions or not, there are no significant parties to the left of Labour in the UK. As such Blair can dictate his own agenda to a greater extent and is less constrained by left wing or green inputs or competition for votes from the Left. Demand management and environmental concerns get a higher profile in the Blair/Schröder document, for example, than they would in most New
Labour statements on the third way, in part a reflection of the greater strength of the Left and Greens in the German government. Jospin’s rhetoric is, to some extent, an attempt to keep his five party centre-left coalition on board. He needs to ‘talk left’ to appeal to his socialist, communist and green ‘gauche plurielle’ (Bouvet and Michel 2001).

Blair is also not held back from his ‘modernisation’ programme by a significant left-wing faction in the Labour Party and the political opposition – the Conservative Party – has been weak and ineffective for most of his time in government. It should also be added that in systems where proportional representation requires coalitions, the decline of a party to a small vote does not necessarily lead it into the sort of oblivion that often entails radical modernisation, as happened with the UK Labour party in the early 1980s. Small parties can still wield significant government influence in such coalitions. The Labour Party sank to 27.6 per cent of the vote in 1983 leading to fears of permanent electoral annihilation and the road to modernisation. The French socialists came into government and held the Prime Ministership after having gained only 26.5 per cent of the vote in 1997 (Lovecy 2000). The pressure for modernisation, because of electoral decline at least, was not as great.

Germany faces further complications beyond its coalitional system. The SPD is a decentralised and fragmented party making it more complex for a leader to negotiate policy reforms of the sort carried out in Britain’s Labour Party between 1987 and 1997. In Germany there are more points of potential hindrance. Once in power governments in Germany face a federal decentralised system with the devolved Länder system of government and strong interest groups representing employers and unions so that power is diffused and there are many potential obstacles to reform (Busch and Manow 2001). Similarly the consensual culture I have mentioned in the Netherlands is embodied there in a system of politics that requires coalitions and negotiation with formally empowered non-state organised interests. The politics of a ‘grand design’ is not possible. The PvdA is less autonomous when it comes to policy reform and is restrained by the need to pursue change in a negotiated way (Hemerijck and Visser 2001).

**Blair’s and others’ third ways**

So, it appears today (and maybe the appearance is deceptive) that the British Labour Party is in the vanguard, if that is right word, of modernising social democracy. In other countries, such as Germany, the journey to modernised social democracy or the third way is a more difficult process, the government being subjected to a number of forces which affect what it can do. The need to combine moderate electoral appeal with more radical appeal to coalition partners, the social market culture, and the devolved nature of the German political system and
institutions lead to different outcomes there compared to other countries. In Britain there is a more centralised state, a political system which gives the modernisers greater control, and a *laissez-faire* market culture (Lees 2001). Similarly the Netherlands has embedded in its culture consensual norms that counteract or balance some of the more economically liberal developments in social democracy there and elsewhere. And the Dutch PvdA places more emphasis on individualisation and liberalisation and less on moral conservatism than Blair (van den Anker 2001). In France, of course, the rhetoric is sometimes hostile to modernising social democracy for reasons of national tradition (French exceptionalism and the egalitarian, statist and public sector tradition, for instance, which transcend partisan boundaries) and politics (such as the need to hold together a coalition of the left). The French have been more inclined to spending on job creation and regulation of the market.

For some, there are lessons that different countries can learn from one another. There are those in Britain, Will Hutton (1995) is one, who would like to see Tony Blair adopting an approach that imports more from, say, the German situation – more of a *social* market approach. In fact, Blair himself once made short-lived noises about the desirability of a stakeholder model that could have been interpreted as going towards the German model (Blair 1996, Driver and Martell 1998: 51-60). Conversely, there are industrialists and SPD modernisers in Germany who would not be averse to a greater dose of competitive individualism to shake up economic life. But Hutton’s words fall on deaf ears and Schröder’s collaboration with Blair had to be swiftly downplayed in Germany when it was published. Blair, meanwhile, became keener on exporting Anglo-Americanism to Europe than importing the German model. I have some sympathy with Hutton’s arguments because while New Labour have made significant steps towards tackling social exclusion and the failure of public services, the Anglo-American model they have adopted favours short term shareholder interests over longer term and wider stakeholder interests and can reproduce the inequality and poverty the New Labour government aims (at least in the case of poverty) to counter.

Across Europe social democratic parties are discussing or implementing more flexible labour markets, privatisation, welfare reform, cuts in business regulations and taxes, low inflation and macro-economic stability and supply-side policies alongside continuing social democratic concerns for social inclusion and minimum social standards. But the contexts in which such issues are being addressed vary and so the outcomes of comparable theoretical agendas differ from nation to nation: dependent on factors such as the degree of centralised control or devolution in political systems; the extent to which modernisers monopolise power or have to share it with the left or other parties; and historical traditions of statism, consensus or economic liberalism. So even if different social democratic parties are experimenting with third ways between neo-liberalism and old-style social
democracy, these are third ways in the plural, there being different third ways rather than just one, varying by national background among other factors. As these instances show, the third way is diverse and contested. Between them, nationally specific factors lead to rhetorical and policy divergence – to third ways rather than a third way and to different reforms to social democracy. And sometimes these divergences between third ways happen not only on the basis of national traditions and cultures, but also, at the same time, on Left and Right lines. Even in the era of globalisation and the third way, national differences and Left and Right still matter.

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Email l.martell@sussex.ac.uk
Web http://www.sussex.ac.uk/sociology/profile1720.html