

# How left is Left in Europe? New Centre, Third Way

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Capitalism's project of globalisation seems to be running into problems. The spectacular worsening of the world economic crisis and Gerhard Schröder's victory in the German elections suggest that good news may be at hand: the end of our winter of neo-liberalism, to be replaced by a spring of social democracy. A "neo" socialism is on the way. Remodelled; neo-Labour; and neo-Keynesian.

However, it is not a new left. It is being hailed, rather, as a Third Way and a *Neue Mitte* (new centre). During the recent Labour Party conference in Blackpool, Tony Blair was ebullient about having turned Labour into a party that was "pro-business and pro-enterprise" (1). On 21 September 1998 there was a summit in New York, around the idea of establishing an International of the centre left. Tony Blair waxed lyrical about the "radical centre". Romano Prodi - at that time still Italy's prime minister - talked of a "world-wide Olive-tree alliance". And Bill Clinton was reportedly delighted to see the Third Way becoming a global phenomenon. In this all-conquering mood of modernity, the government of Lionel Jospin is looking a bit old-fashioned.

Beyond speeches and symbols, the policy matches up to stated intentions. The sociologist Anthony Giddens, Blairism's guru and author of its little *Blue Book*, says that "the term 'centre-left' isn't an innocent label. A renewed social democracy has to be left of centre, because social justice and emancipatory politics remain at its core. But the 'centre' shouldn't be regarded as empty of substance" (2).

From all this derives a bold programme to establish a Third Way which is to be a "radical centre", a new "democratic state without enemies", an active civil society, a "new mixed economy", a new "family democracy", a "civic liberalism" beyond the society of labour, a "cosmopolitan nation". In fact, it is just old policies with a new label. Bodo Hombach, economics minister for Rhineland-Westfalia and economic advisor to Gerhard Schröder, has his own views of what a German-style Third Way might be: he argues for "a Germany that is distanced from the old kind of social state" (3).

The textbook phraseology of Europe's middle-of-the-road socialism rejects outright the old left's belief in Keynesian demand management, limiting the role of the market, a commitment to egalitarianism and a homogeneous labour market. They call for less government and more "governance" (in other words, a system of regulation that is administrative and depoliticised). They are apologists for a new hedonistic individualism, not old-fashioned solidarity. Anthony Giddens notes that we now live in a world where "no-one any longer has any alternatives to capitalism" (4). The sole perspective of this new radical centre is to look after the profits under the surveillance of the finance markets. Everything else follows from there.

The Third Way is supposed to find a happy medium between the extremes, while invoking the "natural constraints of globalisation". The ideologues of the Friedrich Ebert Foundation are in no doubt: the social democracy that emerged from the morass of neo-liberalism will not be what it was before; they claim that the classic formulas of welfare socialism will not be reinstated (5). This is a far cry from Keynes, either old or new.

In an essay which has caused a stir of interest across the Channel, Donald Sassoon suggests that "these parties are the only left that is left" (6). We need urgently now to counter this perspective with another left, operating to the left of that left.

Because all the rhetoric about governance, willingness to submit, etc, is really a cover for something else. *The International Herald Tribune*, not generally given to sociological analysis, observed that during the Labour Party conference the streets of Blackpool were no longer invaded by miners in overalls, but by businessmen, lawyers and management consultants, most of them wearing suits and equipped with mobile phones (7). Mr Blair's government features Lord Sainsbury, head of the Sainsbury's food chain and one of Britain's richest capitalists; Lord Simon, secretary of state for trade and formerly an executive at British Petroleum; Martin Taylor, a Barclays Bank executive, overseeing reform of the social security system; and Peter Davis, an executive from the Prudential insurance company, heading the group looking at reform of the welfare state. Similarly, in France, Dominique Strauss-Kahn, the Socialist minister of finance and economics, is the founder of the Cercle de l'Industrie, described by *L'Expansion* as a "lobbying organisation of leading industrial employers" (8). All this creates a rather special sort of social relations.

The incorporation of social democratic elites into the upper echelons of government, industry, finance and commerce prospers in inverse proportion to their links with the world of work. Given the lack of substance of the European proto-bourgeoisie, undecided between its national roots, its transnational alliances and its European interests, social democracy has taken on the role of promoting the neo-liberal Europe of Maastricht and Amsterdam. Since the traditional parties of the European right are in crisis, it operates a power of attorney (by default, and perhaps only temporarily) over the new European imperialism.

Tony Blair began his period in government by declaring the independence of the Bank of England, much to the delight of the City. In July 1997 he lowered the rate of company tax by 2%. His welfare-to-work programme is designed to organise the transition from welfare - defined as "unproductive" - to forced labour, in return for basic (and conditional) social needs. The other side of this neo-liberal coin is the pursuit of disciplinary and security-based responses as the sole way of dealing with social disintegration: for Tony Blair, New Labour is also "the party of law and order" and "zero tolerance".

In Italy, over a two-year period, the main achievement of the Prodi government has been to satisfy the Maastricht convergence criteria, while doing nothing to reduce unemployment, and at the expense of a marked increase in poverty and social inequality. In France, the Jospin government has produced a series of U-turns and backsliding on its already modest electoral promises. The Juppé plan for reform of the social security system is being applied. Dominique Strauss-Kahn has definitively buried the idea of a "progressive tax revolution". Privatisation and the dismantling of public services are accelerating. The concessions to the employers contained in the law on the 35-hour week are destroying its potential for job-creation; they undermine the credibility of the reduced working week as a way of fighting unemployment and are burying for the foreseeable future any prospect of a 32-hour week. The cause of pension funds is gaining ground and influence. The Pasqua-Debré laws on immigration have not been rescinded, only trimmed.

Mr Strauss-Kahn surveys this scene with the satisfaction of a man who thinks that duty has been done. "Actually, our policies are both realist and left-wing. But to be persuaded of this, people are going to have to abandon the old benchmarks", because "the days when being left meant that you believed in the continuous extension of the public sector are long since gone" (9).

## **Centre-right policies**

Will the severity of the world economic crisis result in Europe's social democrats being pushed to the left? Social democracy is currently in government in most EU countries, so this provides a suitable institutional basis for change. But it also needs the political will capable of rising to the challenge. Today it is patently clear that "the apparent coherence of the model of a new era of growth was deceptive" (10). A crisis that is already affecting 40% of the world economy is unlikely to spare Europe. The present recession could tip over into depression. It threatens "the legitimacy of the international capitalist economy" (11).

In the face of this pressure, Europe's middle classes are preparing for an imminent intensification of competition with Japan and the United States. Their priority is to reorganise the labour market, even if it means using "palliative measures" such as in-house training contracts and youth employment projects as a way of avoiding too sudden a deterioration in domestic markets. Giorgio Fossa, president of the Confindustria (Italy's employers' association), sums up the approach. "Raising employment levels depend on the use of several levers: interest rates, taxation, labour costs and flexibility" (12). During his recent meeting with Lionel Jospin, Giovanni Agnelli, the head of Fiat, spelled out the terms of the dilemma: does growth have to be at the expense of rigour? The answer is "it would be good to have both, but it would be difficult" (13). Obviously, choices are going to have to be made. Robert A. Mundell, a professor at Columbia University and recognised specialist in economic and financial affairs, puts the position bluntly: the function of centre-left governments in Europe is to follow centre-right economic policies because they have scant margins for anything else (14).

You need to be either short-sighted or complacent to detect the beginnings of a Keynesian shift in all this, never mind radical reformism. The neo-liberal social policies of the past two decades have destroyed the tools that used to be available for intervention. Monetary management has been delegated to the directors of the European Central Bank, who are independent of Europe's governments. Systems of social protection are being dismantled. Privatisation has destroyed the classic lever of interventionist industrial policy. The employers have been handed tax concessions without being asked to do anything in return. The wage relationship which was the basis for the Keynesian policies of the post-war period has been reversed by the abolition of index-linked wages, the localisation of wage bargaining, a flexibility of working hours and the weakening of trade unions and collective bargaining.

About all that remains is the manipulation of interest rates, assuming of course that the politicians succeed in prevailing over the monetarist orthodoxy of the governors of Europe's banks. On this bold assumption, and as long as the crisis does not turn too quickly into depression, investment programmes financed by a European loan, a careful management of a euro that is not too strong in relation to the dollar (in order not to handicap exports), and a limited and concerted control of capital flows, might perhaps cushion the shock for a while. However, it will be too little to make a significant difference to unemployment levels.

A serious reforming policy would require a wide-ranging reform of taxation, a serious taxation of accumulated wealth, a drastic cut in VAT and a commitment to progressive taxes on income from capital in order to redistribute wealth without pumping up demand. It would mean taxing movements of speculative capital, to be coordinated Europe-wide, removing banking secrecy and shutting-down tax havens. It would imply a strengthening, rather than a dismantling, of social protection, an active policy of major public works and services, and would include taking public control over utilities (water, energy and transport) at the European level. And it would mean a ban on mass redundancies, the increasing of social provision, the raising of low wages, and coordinated

measures to force a cut in the working week to 32 hours without loss of wages.

What is needed now is not purely economic or management remedies, but political choices. There is no doubt that such measures would prompt an immediate flight of capital, a credit squeeze by the banks and great anger in the finance markets, which are notoriously unforgiving. So what can be done to counter the blackmail of the employing classes and the "social killers"? If we want to initiate a bold policy of job-creation and social development, we need to build a broad-based movement of opposition to the employers. Meet force with force. The citizens versus the market.

And we should begin by having the courage to break the straitjacket of the convergence criteria and the stability pact. This is "an opportunity to get out of the impasse of Amsterdam" says Jack Lang (15). So why don't we go for it? France's secretary of state for European affairs, Pierre Moscovici, says himself that "this is not our treaty" (16). So now is the time to renegotiate it. Otherwise what is the point of having a left and a string of left-wing governments across Europe?

In the same article, Mr Moscovici gives his answer. "There is no suggestion here of questioning the stability pact." Obviously, if these governments are going to adopt more radical measures, they will not do it under their own steam. As so many times in the past, it will only happen through pressure from the social movement, and driven by a new relationship of forces.

Leaving aside national differences and variations, the Third Way of this New Centre turns its back on the classic social democratic policies. When asked his opinion about a tax on speculation, Tony Blair replied "No, I would say that that is the wrong thing to do, because you actually want people to move money very, very quickly... My view is that the global market, in the end, is a good thing for us." (17). Ask yourself who exactly is the "us" in this. As for Lionel Jospin, his courage is confined to saying yes to the market economy but no to the "total marketisation of society" - what is now being called the "market society". As if there were not a logical link between the one and the other.

## Notes

(1) *International Herald Tribune*, Paris, 28 September 1998.

(2) Anthony Giddens, *The Third Way, the renewal of social democracy*, Polity Press, London, 1998, p. 45.

(3) Bodo Hombach, *Aufbruch - die Politik der neuen Mitte* (New Beginning: The Politics of the New Centre), Econ Verlag, Zurich, 1998.

(4) Anthony Giddens, op. cit., pp. 24 and 43.

(5) René Cupérus and Johannes Kandel (ed.), "The magical return of social-democracy", in *European Social-Democracy, Transformation in Progress*, Friedrich Ebert Stiftung, Amsterdam, 1998.

(6) Donald Sassoon, *A Hundred Years of Socialism*, Fontana, London, 1997.

(7) *International Herald Tribune*, 30 September 1998.

(8) *L'Expansion* No 580, 10 September 1998. The same article announces that the president of the north region, Michel Delebarre, was about to join the circle, as was the new president of the PSA, Jean-Martin Folz.

(9) *Alternatives économiques*, Paris, September 1998.

(10) On the dynamics of the crisis, see particularly Charles-André Udry, "Ouragan boursier ou crise de l'économie capitaliste internationale", a series of three articles in *Le Courrier* (Geneva), 21 and 22 September and 1 October. See also Robert Brenner, "Crisis of productive investment and speculative crisis", *New Left Review* No 229, London.

(11) *Financial Times*, London, 16 September 1998.

(12) *Il Sole-24 Ore*, Milan, 28 October 1998.

(13) *Il Sole-24 Ore*, Milan, 30 October 1998.

(14) *El Pais*, Madrid, 8 November 1998.

(15) Jack Lang, *Le Monde*, 19 August 1998.

(16) Pierre Moscovici, *Le Monde*, 27 October 1998.

(17) BBC Radio 4, 30 September 1998, quoted in *Marxism Today*, special issue November-December 1998..

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