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INTERNATIONAL QUARTERLY EDITION

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You are reading the first *International Edition* of one of Germany's longest-running and most respected monthly journals devoted to politics and culture, *Neue Gesellschaft/Frankfurter Hefte*. The Friedrich Ebert Foundation has chosen a group of internationally renowned social scientists, journalists, and high-profile representatives of social democracy to contribute to this venture.



The new *International Edition* will be published at the beginning of each quarter with selected articles from previous German-language monthly issues that are especially well-suited to illuminate international – and especially European – debates. In this way we hope to stimulate dialogue across national boundaries within the democratic left. Recent political and economic trends are weakening the social commitments, policies, and ideas that sustain the goals of social democracy in most parts of the world. We want to do our part to strengthen the social and pro-democracy forces aligned against such developments.

We expect the new journal to serve as an open, action-oriented forum for social democracy. Supported by careful analyses, social scientists, journalists, and representatives of civil society will be able to carry on an extended conversation about the situation of social democracy not only in Germany and Europe but around the world. We are convinced that true democracy is possible only in the form of social democracy. Furthermore, we believe that the interactions between national, European, and planetary arenas will shape the future of democracy in a globalized world.

By democracy we understand something more than free and fair elections or majority rule, important as they may be. We also have in mind the primacy of responsible politics and government over markets; guarantees of basic social and civic rights to all citizens throughout the world; and above all a long-term commitment to sustainability as a means of protecting the natural systems on which civilization depends.

We are convinced that our future should and must not be held hostage to the imperatives of anonymous markets or the superior political resources of special interests operating behind the scenes. Instead, the forces that ought to decide the future of our embattled planet are the citizens, activists and political representatives who are committed to social democracy. And they will be best positioned to cooperate once the challenges are clearly identified and consensus is reached about how to meet them: precisely the aim of our journal.

Thomas Meyer

Thomas Meyer
Editor-in-Chief and Co-Publisher

Gesine Schwan

Europe and Social Democracy: Four Surprising Arguments

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The German Social Democratic Party is not usually regarded as a »Europeanist« party, and rightly so, despite its internationalist tradition, attachment to peace, and current, reliably pro-European policies. Nevertheless, Europe is now about to undertake a historic course correction, by virtue of which the Social Democratic Party could become the leading German pro-European party. But for that to happen, the Party has to recognize the signs of the times and carry out a political paradigm shift. For strategic reasons, the CDU chief, Chancellor Merkel, is evidently avoiding any long-term European policy commitments. Her short-sighted, uncoordinated measures are in effect holding the EU's future hostage to certain powerful special interests that have put her under immense pressure. That is why the Social Democratic Party needs to take up the baton of pro-Europe policymaking. It should make common cause with other Europeanist parties as well as organized public-interest groups in civil society. Together these allies can generate a groundswell of support for European solidarity »from below.« The Party can prioritize the common interest of all citizens, and at the same time save them from being sacrificed to the power of anonymous financial markets.

Social democracy entered the political scene in the 19th century, striving to enable the members of disadvantaged social strata

to enjoy the benefits of full citizenship. In those days, barriers such as Prussia's three-class electoral law prevented them from participating equally in political and cultural life. They furthermore lacked equal opportunities in education and professional advancement; indeed, few even had even a chance to earn a decent living. In sum, they were denied social recognition. Human dignity was an empty slogan for most, not something they had a real chance of ever experiencing for themselves.

Social Democrats were therefore mainly concerned with achieving justice and solidarity, assuming they could ever gain the political liberty necessary to fight for those goals. The core objective of these early struggles was to obtain a measure of social security for people so that their lives would no longer be so much at the mercy of the vicissitudes of capitalist markets. The state was responsible for justice and social security. Meanwhile, the international origins of the social democratic movement meant that it would be pledged to a peace policy. The liberation of workers across international boundaries was supposed to eliminate war at its source by attacking its chief cause: war-mongering capitalism. At that time, internationalism thus implied the social or transnational solidarity of the working class rather than the international association of nation-states, its primary meaning today.

By contrast, European policy in the wake of WW II aimed at just this kind of confederation of nation-states. After the dreadful experiences of National Socialism and the slaughter of the War, the hope was that European unification—beginning with cooperation in the coal and steel area—would bind together the continent's nation-states tightly enough that they

would no longer be able to or even want to wage war against each other. It also strove to achieve greater understanding among »peoples,« since differences between the latter were assumed to be greater than those that existed *within* the societies of each nation. This sort of cross-national »understanding« was to be nourished by cooperation below the level of states, e.g., among cities, youth organizations, representatives of the professions, and artistic initiatives. But all of these efforts assumed that nation-states would remain the ultimate framework of policymaking; hence, it is symbolically significant that the public perceived European unification as a matter for heads of state to celebrate.

Because the political value-system of Social Democracy put a premium on peace, its objectives seemed to dovetail nicely with those of European unification. However, the value of peace as understood in the tradition of social democracy was rooted in the social alliance of the working class across national boundaries, i.e., it was always class-specific, unlike the understandings reached by the governments of nation-states. European unification did not aim primarily at justice, solidarity and social security.

What is more, it was mainly instituted by bourgeois, conservative figures whose social class backgrounds did not exactly make them spokesmen of the underprivileged. It was the political and cultural elites of Europe—including Social Democrats—who took up the cause of »Project Europe.« The strategy of European unification was based on the premise that, if those elites could join together in a common effort, they could eventually win over other social classes for the principle of European unification as well. To be sure, the cultured bourgeoisie did launch a »European movement« that was intended to overcome national prejudices, but the EU never garnered support from a cross-national social movement »from below.«

As the European Union developed further, it continued to keep its distance from typically social democratic values such as justice, solidarity and social security. Besides promoting peace—defined merely as the absence of war—the project of European unification focused principally on certain economic liberties such as freedom of movement for persons, goods, services, and capital, all of which were indispensable to the creation of a European common market. The values of justice and solidarity were not given equal billing, although certain individual politicians did try hard to make good this deficit. The political implementation of these values, particularly social security, was essentially left up to the member states. There were good reasons for this decision. Each state had its own peculiar national history and culture that had to be taken into account in the design of its social security system. There could not be any one-size-fits-all »technocratic« approach to social security across the entire EU.

Social democracy's European policy goals today

The trends toward economic, technical, and cultural globalization we are witnessing today suggest a new agenda for social democracy. By themselves, individual nation-states can no longer fully achieve its core values of freedom, justice, solidarity (*qua* social security) and peace; rather, social democrats will have to work in and through Europe. It is certainly true that nation-states have neither relinquished their primordial economic, social, and cultural significance nor their ability to mold the identities of their citizens. Nevertheless, globalization in its many guises and cross-national consequences has changed the rules of the game. The same can be said for the pressing global challenges we face: climate change, poverty, natural resource

scarcity, migration, justice in the allocation of resources, and – last but not least – security. All of these transformations require more capacious political and economic spaces in which to maintain and develop justice, solidarity, and social security. But this does not mean that the European Union can wall itself off from the world; to the contrary, it needs to take responsibility for reshaping globalization in line with its own values.

To do that, it will have to be able to act, and that means gaining the support of its citizens. History has shown that nation-states did not win the loyalty of their own citizens until they emerged as welfare states in the second half of the 19th century, offering the latter a modicum of social security. By the same token, EU citizens will not identify with Europe until the Union moves beyond its preoccupation with economic freedoms and begins dispensing social security. Here we are not merely talking about the aims of social democracy in a partisan-political sense, but rather pointing out an indispensable precondition for the future of Europe.

However, social democracy will have to undergo a major political paradigm shift in order to redirect the focus of its efforts away from nation-states and toward the EU, at least when issues of justice and social security are on the table. Its political thinking has been oriented toward states (in the singular) from the time of Kurt Schumacher to the present day. Schumacher, in fact, wrote his dissertation on the »state«.¹ Over time the state, in its guise as dispenser of welfare, has managed to provide a measure of social security and equality of rights for the less advantaged. In doing so, it has overcome their alienation and »reconciled« them with capitalism. Those achievements laid the foundation for a »statist« tendency within the German Social Democratic Party. But they also diminished the appeal of the traditional value of peace as an end to be

attained by uniting members of specific social classes or strata.

Willy Brandt, probably the most historically significant Social Democrat of the postwar era, did not share this political and strategic »statist« preoccupation. He advocated a policy of reconciliation with Eastern Europe and the Soviet Union, both of which had suffered devastation at the hands of the National Socialists. That in turn became an unshakeable foundation for the European policy subsequently adopted by the Social Democrats. With an eye on the third world and the Socialist International, Brandt also helped bring to fruition a new social democratic peace policy. We should not forget to include the names of Erhard Eppler and Heidemarie Wieczorek-Zeul in the list of those who contributed to this policy innovation. There are good reasons why both served as ministers of economic cooperation. Nevertheless, the true focus in all of these cases was not so much Europe per se, but rather a policy of peace and solidarity that entailed obligations toward the third world. Still, the paradigm shift in European policy proposed here has points of contact not only with Brandt's Eastern and peace policies but also with the designs and accomplishments of the development policies adopted by Social Democracy.

To be sure, huge obstacles are still blocking the way forward. Right now everyone is talking about the renationalization of Europe and the coolness of its citizenry toward the EU. Of course, such attitudes are not present to the same degree in all of the member countries, but they are certainly growing stronger in those viewed by their citizens as »donor countries«. Renationalization is not a random event; rather, it is a long-simmering reaction to the structures and decisions of the EU. To renationalize Europe means in practice to strengthen national governments within and against Europe and to align national parties and labor unions against those of

other nations. Since up until now there has been no consensus about the final shape of the EU, the European Council has set the tone of the Union. It is essentially dominated by heads of state and government, although it also includes the Commission and the Council Presidents.

However, the representatives of these governments hold power in their home countries by winning national elections, which means that they tend to emphasize the viewpoint of their respective nations. When they return home from Brussels, they usually justify their conduct by citing the advantages that will accrue to the home country, not potential benefits for the EU as a whole. By contrast, when they make decisions that are unpopular with the domestic electorate, they try to avoid losses in the next elections by blaming it all on Brussels. Although elections to the European Parliament have certainly become more important as the EU acquires jurisdiction over more subject areas, they do not really provide a counterweight to this trend. The radical pro-market policies embraced by the EU Commission have done even more to spark the renationalization of Europe. These policies have transformed European nation-states into little more than business »locations« trying to outdo the global competition and vying with each other for capital investments. Once, states were regarded mainly as places where human beings lived in accordance with their distinctive cultural, social, and professional interests and values. Now – especially in times of high unemployment – they have to concentrate on selling themselves as attractive and business-friendly places to invest, primarily by cutting taxes and reducing social spending. Consequently, the interests of national labor unions often seem to be at loggerheads, as in the case of Poland and Germany which have traded charges of tax- and wage-dumping. Thus, Brussels is increasingly perceived by member nations

not as the source of solidarity among persons and states, but as the cause of friction between them. The name of Europe's capital has become almost synonymous with the icy winds of global market-radicalism.

Over time a confusing tangle of national and transnational, social and economic subdivisions has grown up in the European Union, overlain by conflicts between the power of special interests and that of nations. In terms of their economic position, entrepreneurs generally do not have any national interests. Their companies' success does of course hinge somewhat on the infrastructure of the countries in which they invest (the legal system, transportation network, education, etc.). However, they can readily cross national borders and set up operations somewhere else – unlike the working people that governments have to worry about and from whom they derive their legitimacy. Yet at the same time these businessmen can call upon their lobbies to influence national governments and parliaments in the interest of their firms. Politicians have trouble resisting such pressure, especially when it is accompanied by threats to move operations abroad or fire employees. It is true that by now a number of companies feel some responsibility for the external effects of their business models (on the environment, raw materials, social conflicts), but not nearly enough of them. In any case firms can always escape their responsibility for the social fallout of their business practices by adopting transnational strategies.

By contrast, national governments and parliaments do have to take the rap for social discord, especially the gap between rich and poor, which has grown noticeably wider during the past quarter century. This trend has given rise to an asymmetrical relationship between the way in which particular interests are represented and the macro-level balance of political power. Given this confusing mix of forces and interests, national governments are often

tempted to intensify their national rhetoric in order to please potential voters. But in practice their words sometimes come back to haunt them when they themselves want to promote transnational all-European solutions. We rail at the lazy Greeks, but then above all we want to save German investors, without of course revealing their complicity in the Greeks' plight. After all, the outcome of the next national elections may hinge on their votes. This double game weakens loyalty to Europe; furthermore, it is counterproductive in terms of solving the problems that we now face. In the wake of the trends described here, especially deregulation, social democrats have been losing a lot of supporters and voters who perceive themselves as losers in previous rounds of radically market-oriented globalization. These voters either stay home or defect to competing parties on the left, not least because they blame social democratic governments for deregulation in their own countries. So what are the chances that social democracy will still prevail in and through Europe in its efforts to achieve its values of justice, social security, and solidarity? Will it be able to reverse course and become the most resolute pro-European party?

The odds in favor of a new social democratic European policy

Whether a pro-European policy succeeds or not will depend crucially on whether social democracy can manage to engage transnational actors and political coalitions in a campaign for justice and solidarity and against the long-term trend toward renationalization. The latter fight will prove especially challenging, because national impulses are grounded in the structural factors already analyzed in this essay. Unfortunately, it will not be enough just to seek more extensive cooperation with other social democratic parties and

labor unions, however indispensable that tactic may be. The latter were born amid the structures and political decisions of their respective nation-states; hence, they are still too deeply wedded to those states. Indeed, social democracy owes its very legitimacy to its successes in the arenas of national politics. The paradigm shift I have been advocating will force social democratic parties to do a radical about-face. They will henceforth have to look around for ways to cooperate with the transnationally oriented portion of organized civil society. Of course, there will inevitably be conflicts between these new associates as well. Social democracy will probably have to engage in »antagonistic cooperation« with its new partners; in fact, conflict and cooperation will be unavoidably paired. Labor unions, too, should participate in these cooperative arrangements. In fact, they are especially valuable partners in the alliance-to-be, because they feel most keenly the pressures generated by a ruthless deregulatory politics bent on turning the nation into a highly competitive business location. But they must simultaneously fight to keep and create jobs in their own countries.

Since we social democrats have no reason to think that there is any realistic alternative to a capitalistic economic order, we are compelled to organize our forces at the transnational level in order to get that order under control (not just internationally, via a consortium of national governments). That is a project that will be of interest not only to wage earners, but also to broad sections of the educated bourgeoisie who do not want to end up as mere appendages of an anonymous market mechanism. Social democracy needs to recruit these allies in the service a politics of justice and solidarity, not least because they vote. Such a politics would look like an updated version of the older tradition of social internationalism, now organized at an all-European level and devoted to the

task of turning capitalism into a global market system in which human beings can actually thrive.

Afterword

The ongoing debates about reforming financial markets offer an instructive example of how necessary this paradigm shift has become. At the beginning of the debt crisis Chancellor Merkel set the terms of the discussion by declining European solidarity and instead advocating the principle that each country should take care of itself. In this way she indicated that the old politics would continue, that is, the ruinous competition to see which country can offer the most business-friendly location. Her position enjoyed the legal support of both the Maastricht and Lisbon Treaties, which was a great advantage for her.

The policies that her stance entailed – small steps to solve short-term problems – will do nothing but raise the ultimate price that must be paid to rescue the indebted countries. And as yet there is no end in sight to this chain of events, because markets are not sentimental. They will test the limits of European solidarity to see how far it can be pushed and how much money can be made by stretching it further still. The Chancellor publicly rejected Eurobonds almost immediately on the grounds that they would tempt nations into even greater acts of irresponsibility. The solidarity principle was suspected of encouraging parasitism. The authoritarian yet skeptical political posture that she adopted – one that weds untrammelled suspicion of southern European behavior to pride in Germany as a model country – has played nicely into the presumed attitudes of her electoral base. But it is not only the Germans who will pay the price for it.

A preemptive policy would have combined solidarity with sanctions against budgetary indiscipline, spoken out un-

ambiguously in favor of European unity, and struggled to gain the support of the nation's citizens. It would have offered the opportunity to end financial speculation, cap increasing debt levels, and get the European project back on track. Even now, when they seemingly have lost their bearings, politicians should be ready to take risks in order to give Europe a decisive boost. This is the task that social democrats are now called upon to carry out. Moreover, where reform of the financial markets is concerned, political cooperation with transnationally organized civil society offers the best opportunity to enact serious regulatory reforms against the resistance of powerful, frequently opaque lobbying pressure on national governments. The worldwide »occupy« movements can help here as well. We do not lack for plans and schemes; we lack the power and opportunity to put them into effect across national boundaries. The rhetoric about and emphasis on German superiority favored by the current German federal government, and especially by its Chancellor, have given a fillip to an empirically verifiable trend in German society. Citizens are being told that they don't need to acknowledge any dependence on their friends, and that they should »go it alone.« In short, they are drifting toward a version of German isolationism. In this respect the German government is not just acting contrary to Europe, but against the well-considered long-term interests of the German people. They have never done well when they believed they could rely on themselves alone.

Unlike the CDU/CSU the Social Democrats in Germany do not have to ally with powerful special interests. They can find common ground with those who favor the interest of all normal European citizens in a life of freedom and justice. That is the reason why social democrats everywhere can become the leading pro-European parties at this historic crossroads in the continent's history. ■

Björn Hacker

New Elective Affinities?

Liberal Dogma may be breaking up Europe's »Welfare State Families«

European welfare states were once distinguished by their different emphases and contours. Market-oriented reforms have turned such »unity in diversity« into a clichéd ideal type. As a result the European social model is now characterized by a risk shift to the individual and sharper class conflicts.

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Looking at European societies from the vantage point of other continents, one finds among them an apparently broad consensus on how to handle class conflicts. The unifying element in most cases seems to be a commitment to bring order and structure into such conflicts – and their accompanying socio-political tensions – even while setting bounds to economic competition. The political scientist Colin Crouch talks about a sort of elective affinity among the various European welfare states, by which he means the shared social and economic heritage that evolved in Europe and still distinguishes it from other parts of the world.

Yet when one looks at European affairs from the inside, one realizes that considerable differences have begun to appear in their social arrangements, to the point of apparently calling into question the assumption that they share a common structure at all. It is certainly true that social rights were codified in all European states after the Second World War. If one accepts the argument of the sociologist Thomas Marshall, these developments consolidated the modern form of social citizenship that

supplemented previously hard-won rights of civil and political citizenship. To judge the degree of social homogeneity that prevails in a given society, however, it is important to measure two key features: the degree of de-commodification, i.e., the extent to which social security frees an individual from dependence on market transactions; and the degree of stratification, i.e., how far differences in social status persist or have been softened by social redistribution. When individuals are emancipated from utter dependence on the market (»decommodified«), they can rest assured that social welfare systems will indemnify them for the loss of their jobs. And this holds true regardless of whether job losses have come about due to ill health, family issues, advanced age, or educational deficits. Moreover, the social welfare state calls upon redistributive programs, for instance those carried out by the social and educational systems, to rectify the social stratification created by market forces.

The social scientist Gøsta Esping-Andersen has described models of three different »families« of welfare states in Western democracies based on the different ways in which these two features are manifested in their respective social arrangements. In each of these the central institutions that provide social security – state, market, and family – play different roles. Esping-Andersen's typology continues to be widely used even today, even though it suffers from some obvious drawbacks. For one thing, it is based on data

from the 1980's, so it cannot take into account the reform experiences of the last two decades. Furthermore, it ignores borderline cases, such as the Netherlands.

To summarize the family models, we may begin with the liberal welfare state, in which citizens have to provide social security to such a large extent through their own private, individual efforts. The degrees of decommodification and income redistribution are low, and beyond a certain basic level, the state guarantees no more than minimal social provision for the neediest cases. In terms of social class relations, the liberal welfare state is pervaded by a sharp dualism that divides the minority of social service recipients from the majority who can afford to provide for their social needs through private channels. In Europe, Great Britain and Ireland are good examples of countries that have adopted the liberal welfare model.

The conservative welfare state forms the second family grouping. Here, social security is closely tied to gainful employment, while strongly corporatist and statist elements guarantee a moderate degree of decommodification. As a provider of social services the market plays only a minor role, whereas the family continues to fulfill its traditional security function. Since the generosity of state-supported social services is strongly associated with income, the conservative welfare state has minimal redistributive effects. Hence, status differences in such a society are maintained. Germany, France, and Austria exemplify this welfare state family.

The social democratic welfare state, as represented by the Scandinavian countries, forms the third grouping. This kind of welfare state features universal protections for the entire populace, supported by a comprehensive state-sponsored network of social security. The individual is also much less dependent on either market transactions or the family than in the other family groupings. Differences in status due

to class and occupation are leveled out by far-reaching redistributive programs.

During the 1990's updated calculations of the decommodification and stratification features, as well as some other indicators, have tended to confirm the existence of these three welfare state families, although they have also led scholars to add a fourth type: the Mediterranean world of welfare. This group comprises the social provision systems of Greece, Spain, and Portugal, which are reminiscent of the conservative welfare state in their high degree of corporatism and the prominence of family structures. However, they display a marked dualism, in which an elaborate, partly universal social security network is balanced against a rudimentary, not fully guaranteed form of social provision furnished by the state without regard to employment.

A process of increasing hybridization

The fact that welfare state arrangements cluster in respect to the factors mentioned – their contribution to the security of the individual and the way they manage inherited social stratification – clearly reveals the differences that continue to exist among European approaches to social security in spite of all elective affinities. Nevertheless, the »family resemblance« approach implies a degree of stability in the different paths taken by welfare states that can no longer be found, at least during the past fifteen years. Certain broad social transformations have wrought profound changes in the welfare state families identified above. These include the following: the end of the male breadwinner model, the increasingly transnational character of the economy, and above all growing skepticism toward state intervention as opposed to market-based solutions. Widely shared and oft-repeated clichés –

conservative welfare states are inflexible and financially unsound; the lauded »Swedish model« does not allow inequalities to arise in the first place – ignore actual developments.

Analysis of the institutional architecture of individual welfare state arrangements as they evolve over time suggests a process of increasing hybridization. Many countries have integrated selected elements of different welfare state worlds into the designs of their respective systems of social security. That process is especially noteworthy in the ten nations of Eastern and Central Europe that acceded to the EU in 2004 and 2007 and thus could scarcely display any type of post-socialist welfare state uniquely their own. Everywhere in Europe reforms are being weighed that seem to be headed in one direction when taken in the aggregate: social policy is to be understood more and more as a factor affecting productivity within the framework of the European economic system. No matter how deeply involved the state may have been before, step-by-step reforms are cumulatively supposed to reduce its role in organizing and guaranteeing social security.

In this way welfare states will be revamped. The ongoing process of recalibrating state-market relationships will over time favor pro-market solutions. Traditional social communities lose ground vis-à-vis a more individualistic understanding of social protection, just as social rights are made conditional on social duties. The Scandinavian welfare state has limited the scope of its universalistic system of social provision, while conservative welfare states have watered down their traditional Bismarckian social insurance models. Meanwhile, the liberal welfare state has extended its need-based system by relying increasingly on means testing. Finally, in the Mediterranean world of welfare the gap between highly protected beneficiaries of social welfare institutions and the under-

served class of the »precariously employed« has continued to widen.

A European trend toward liberalization

In many countries, the end result of these trends has been a reduction in spending (relative to GDP) on social protections. Moreover, given the competitive situation inside the European Monetary Union, comparative advantage accrues to countries that have lower taxes and wages. The tendency is therefore toward a dismantling of the achievements of the social welfare state, and as a result social inequality has been increasing in many European countries, a trend which is apparent in the distribution of income, for example. The widening chasm between rich and poor is manifested in many places by a worsening rate of susceptibility to poverty. The primarily economics-oriented principles behind the creation of the EU have certainly contributed to the diffusion of a liberal view of the state in many European capitals. But the austerity policies that have come to the fore during the recent crisis have accelerated this process.

It is true that structurally distinct welfare state families continue to exist in Europe, at least as ideal types. However, as we have seen, a new kind of elective affinity among European states has started to emerge for two related reasons: the dismantling of state-sponsored redistributive programs and increasing recommodification in social insurance, which implies a resurgence of market logic in that sphere. The shared bond of specifically European achievements in preserving and enhancing social cohesion, always so striking to outsiders, is being supplanted by a new guiding ideal based on a risk shift to individuals and recrudescing class polarization. Let us hope that this trend is not the last chapter in the development of a uniquely European social model! ■

Erhard Eppler

Selective Growth and New Progress

The contemporary notion of »new progress« is certainly not equivalent to the idea of selective growth, yet the first concept includes the second. Anyone who advocates »new progress« has to specify what should grow and what should not. If the goal is simply to maximize growth across the board, then »new progress« turns out to be wishful thinking or just an empty phrase.

What we call economic growth today used to be no more than a statistic, a number. There was agreement about how to calculate a country's total economic output, i.e., its domestic product. When that figure increased from one year to the next, the increment was called growth. Obviously an economic criterion such as this had to be based on figures that could be measured precisely: for example, anything that was bought and sold on the market, or wages and salaries that were subject to taxation. Services rendered by a housewife who has to take care of a large family were not included in these statistics, since their value could not be calculated with any precision.

Seen in this light, growth is an interesting statistic. It is superbly designed to make finance ministers happy, because they can now figure out how much tax revenue they can expect to collect. We have become accustomed to the idea that periods of strong growth will be followed by periods of weak or even zero growth. We even talk about booms and busts. If governments were honest with themselves, they would have to admit that they do not control these cycles; at most they can enhance or inhibit them.

Problems start to arise when growth is declared to be a political goal – indeed the most important one or even, as with Angela Merkel, the only one that counts. In that case, the goal of growth can justify almost any possible policy and some that are im-



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possible, as is the case with the CDU/FDP coalition's »Growth Acceleration Law.«²

When growth becomes the primary, generally accepted goal, politics begins to play second fiddle to markets. After all, politicians do not »create« growth; business enterprises do that. So if one is going to carry on a »policy of growth,« one must – among other things – keep the business community happy or even offer them incentives, such as lower taxes. That is the origin of the current ruinous competition among states, especially those of Europe, as they outbid one another in offering to reduce business taxes. This rivalry has contributed more than most economists would admit to deepening sovereign debt. States must now »save,« which means in practice that they have to neglect or even privatize certain traditional responsibilities. We can observe the outcome all around us in Germany's cities.

Yet another argument for indiscriminate growth has been proposed that dovetails nicely with the ones already mentioned: that the way to greater economic growth is to liberate markets from encumbrances, weaken the state, and reduce the »state's share« in the overall economy. This is exactly what most economists have advocated over the last three decades, which has made the campaigns of market radicals in the political arena that much easier. As soon as growth becomes the pre-eminent goal of all politics, there is

a slippery slope that eventually launches us down toward market radicalism. Even politicians who actually do intend to achieve something quite different, end up at the bottom of this slope. Whenever countries led by Social Democrats chalked up slower rates of growth than other countries did, their governments were accused of »doing nothing« or of irresponsibly blocking growth-promoting policies. Eventually they too were forced to adopt »inescapable reforms« that freed up markets, all the while cutting back on the state's legitimate responsibilities, especially in social policy. Those moves then entailed tax cuts, especially for truly »productive« individuals or sectors of the economy, an expression invented precisely to justify such policies.

When respected banks refused to lend one another money during the financial crisis unless the state would guarantee repayment, the slogans of market radicalism began to sound hollow and even ridiculous. They were empty promises that had passed their »use-by« date. But states, now more deeply in debt than ever before, emerged from the crisis weakened rather than strengthened. Financial markets, meanwhile, treated sovereign states in exactly the same way that they had previously treated private debtors: the higher the level of debt, the higher the interest rates they demanded. Such conditions could even bankrupt entire countries.

In any case the crisis surrounding market radicalism had created objective constraints that again seemed to call for a formula even more radically market-oriented than previous ones: the state would now have to »save« money and not just in Greece and Spain. It would have to cancel entire programs and maybe even increase the value-added tax. The one thing it absolutely had to avoid was raising corporate taxes, even in places like Ireland where they are already absurdly low, because such a move allegedly would reduce growth.

As long as governments are thought to exist solely to accelerate, increase, or stimulate economic growth, then even failed market radicalism creates constraints that ensure its continued survival. To put this point a bit differently: whenever growth is declared to be the be-all-and-end-all of politics, then politics itself loses its pre-eminent position. If growth is the sole objective, then economics inevitably must take precedence over politics. The primary obligation of government is now simply to keep the economically powerful elites happy.

New ways to think about growth

For all these reasons it is neither trivial nor coincidental that 2010 witnessed a renewed critical discussion economic growth. Scholarly and political circles had debated that issue in the years between 1971 and 1975, but their findings had been swept aside – like so much else – by the wave of market radicalism. In this context, the German Bundestag established a Commission in 2011 to investigate the issues of »growth, prosperity, and quality of life.« The Commission was requested by the Social Democratic and Green Parties, but the Christian Democratic and Christian Socialist Parties were also given an opportunity to participate. Eventually Meinhard Miegel, a highly respected contributor to debates on economic policy, offered some surprising observations³. These can be summarized as follows: *First*, the period of rapid growth among Europe's older industrial countries is nearing an end. *Second*, rates of growth continue to fall even taking the business cycle into account. *Third*, what remains of economic growth is siphoned off to deal with the harmful consequences of that growth. Thus, the quality of life in such countries has ceased to improve.

Miegel's conclusions make sense; indeed, they should not be surprising if one takes seriously the statistics of the past few

decades. His third point is particularly controversial, because it pulls the rug out from under any crude pro-growth policy. A policy that principally aims at higher rates of growth is not only self-defeating and expensive for the state; it is ultimately worthless for human beings.

His insights dovetail with those of Richard Wilkinson and Kate Pickett's best-seller, *The Spirit Level*, the conclusions of which are contained in its subtitle, »*Why equality is better for everyone.*« What enables people to live better is not growth per se, but rather less inequality.

Selective growth is the key

Miegel's analysis has much in common with the efforts of Social Democracy to reinvigorate the politically nearly moribund notion of progress by calling it »new progress.« In this respect the Party is resuscitating an important plank in its 1989 Program. There, under the rubric of »Progress, Growth, and Structure,« one reads that, »Not all growth is progress. Growth has to be sought in those areas that maintain natural life-support systems, improve the quality of life and labor, reduce dependency, advance the cause of self-determination, protect life and health, secure peace, enhance present and future opportunities, and support creativity and initiative. Whatever jeopardizes those natural life-support systems, diminishes the quality of life, and curtails future opportunities ought to shrink or disappear.« Many of those who took part in that discussion saw in the 1989 paragraph a call for »qualitative growth.« In fact, quite a few of them regarded the author of this article as the inventor of the whole notion of qualitative growth, although he never actually used that term himself. Even then, 35 years ago, the point was to emphasize that political choices about growth had to be made, i.e., growth had to be selective. Social Democrats

realized at the time that growth alone, without any qualifications, was too vague a goal to guide political decision-making.

It is pointless to treat specific growth rates as political goals. But it is equally mistaken to strive for zero growth. The real question is: »What should grow?« One of the weaknesses of politics is the fact that practice tends to lag behind theory. But in the case of growth, the opposite is true. Practice is far ahead of theory. At least in Germany, consensus reigns that the use of fossil fuels should decline, whereas the use of renewable resources, required to replace fossil fuels, must grow. The days are long gone when the Federal Ministry of Economics, supported by the corresponding ministries of all other countries, defended the dogma that electricity use should grow by 7 % a year, thereby doubling every ten years, because that is the rate of increase requisite for economic growth. Only the theory of growth itself, so characteristic of that era, has survived. In the meantime we have started discussing whether we should be eating less meat to protect the climate and more vegetables for the sake of our health. Political debates are now centering on issues such as whether freight could move more quickly by rail than by road. And at some point we will no longer be able to ignore the dilemma of how to cut CO₂ emissions in half if air travel doubles.

In the Program for Germany that he presented to Parliament in 2009, Frank-Walter Steinmeier argued that government should now promote selective growth. »Green industries« and human services, which cannot be automated, should grow and generate new jobs. Thus, Steinmeier was specifying what should grow, partly as a result of political choices, while his opponents merely promised higher rates of growth, stoked by tax cuts. In short: policies of selective growth are already on the political agenda in all but name⁴.

Of course there will always be an array of goods and services that we can confi-

dently leave to the market. Markets rather than governments ought to decide how much cheese, how many shoes, televisions, and bicycles ought to be produced. Nevertheless, the number of bicycles will increase when there are more easy-to-use bike paths. And that is a decision that local governments normally make.

The notion of »qualitative growth« is plausible, attractive, and politically inoffensive. One can certainly sing the praises of »qualitative« growth, while continuing to do what one had been doing all along. In the end all growth is »qualitative« in some sense. But selective growth invites discourse: what do we think ought to grow and what not? Which sectors should be growing more rapidly than market forces alone allow and which more slowly? What has to shrink? Selective growth requires political discussion and ultimately political decision-making, whether in the form of laws or administrative actions. Just as the call for maximum possible growth implies the primacy of economics, so too the question, »What should grow and what should not?« implies the primacy of politics.

A politics geared to maximize growth always yields the same set of imperatives: market radicals want to reduce taxes on business and the »productive sectors,« while radical Keynesians demand economic stimulus programs financed on credit. Both sets of policies quickly reach their limits when financial markets punish growing sovereign debt with higher interest rates, while a majority of citizens begin to see for themselves what a half-starved government looks like at the local level.

Rightly understood, »new progress« may be almost exactly what could motivate the Social Democratic Party of the 21st century. The concept suggests timely answers that flow from an older tradition. But is this the right choice of words to convey those answers? Nowadays, the term »progress« lacks the punch to mobilize masses of people that it once had in the

19th century. It may even evoke diffuse fears in the minds of some people. If the democratic left isn't willing to give up this word – and there are arguments in favor of doing just that – then putting the adjective »new« in front of it will not be enough to dispel either fear or indifference. Advertising has already rendered the word »new« hackneyed and trite. Moreover, the very concept of progress implies that something new is being done; hence, new progress is redundant. On the other hand, not everything that is new constitutes progress, but that is exactly what the expression »new progress« seems to suggest.

Alternative formulations of social democratic aims will also run into criticism. For example, two of the more common slogans are: »human progress«, and – as if to underscore the social component – »progress for all«. But these of course assume that the term »progress« has to be retained.

Even the expression »selective growth« itself seems ill suited to publicity campaigns. Yet all social strata at least understand what is at issue in that expression: not how much growth there is, but rather what is growing. Alert citizens will gladly take part in discussions about what should grow and what should shrink, so that we may protect our natural life support systems and thus live in the way that we would like. This approach could enliven democracy far more than all the complaints about how tired of democracy people have become. A paradigm shift would be associated with this new terminology. During the era of market radicalism we grew accustomed to asking how we *must* live in order to survive in a globally competitive environment. But politics draws its sustenance from asking how we *want* to live.

Both selective growth and the quest for a new kind of progress are permutations of the deeper question: how do we want to live and how do we not want to live, a query that marked the beginning of social democracy itself. ■

Michael Dauderstädt/Markus Schreyer

The Indebted State and Democracy – A Debate We Need To Have

When public debt is on the agenda, it is easy to lose sight of the fact that the issue involves more than just financial and economic policy-making. What is ultimately at stake here is the survival of the democratic foundation of our societies.

The current crisis afflicting the European Monetary Union (EMU) is usually interpreted as a crisis of sovereign debt. In this view many member-states of the EMU have indulged for years in unsound fiscal policies. In the wake of the global financial and economic crisis, budget deficits and sovereign debt have continued growing apace. As a result international capital markets have begun to lose confidence in the finances of European states. Accordingly, demands are being raised for a reduction in budget deficits and sovereign debt as well as a sustainable consolidation of public balance sheets, not least via a debt-braking mechanism in every one of the EMU member states.

This is the background against which a number of questions have been aired concerning the relationship between government debt and democracy. These questions will require a thorough debate if we ever hope to come up with really effective, long-term political solutions. It is especially crucial to clarify two fundamental sets of topics concerning these issues.

First, does democracy have to rely on government debt, or are growth and prosperity possible even without sovereign debt? Critics of the indebted state call for a sustainable budgetary policy in the form of a balanced public budget and reduction of government debt. Excessively high budget deficits and public debt, they claim, are not only the primary causes of the present crisis of the EMU; they also have the effect of raising interest rates and thus crowding out private investment. If things go on as they are, growth and prosperity would be



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seriously jeopardized not only for the current generation, but also for its successors, while the government's leeway for policy-making would be even further reduced. On the other hand, balanced government budgets and declining debt would not only stabilize the confidence of capital markets in government finances; they would also promote growth. As the public sector's demand for capital on international capital markets fell, interest rates would go down and thus more investments in physical capital (in the private sector, which would absorb the freed-up capital), greater growth and prosperity would ensue. Furthermore, fiscal policy of this sort would increase the confidence of consumers and taxpayers in the soundness of the government's finances, which would likewise have a beneficial effect on consumption and growth.

However, the above line of reasoning is opposed by another, which claims that a fiscal policy of extreme austerity and cut-backs in public investment will only serve to undermine future economic growth and tax revenues. Radical savings programs may throw an economy into a recession or even depression in the short run. The longer such a recession lasts, the greater will be the negative effects on long-term macro-economic growth prospects, since physical and human capital, as well as that for research and development, would be degraded. So in spite of all efforts at consolidation the risk remains that that public debt may not decline at all. Indeed, the reverse may occur as, in the wake of economic contraction, debt begins to increase again. And so, this counter-argument would continue, sovereign deficits are an important instrument precisely in crisis situations, because they tend to stabilize the expectations of the participants in the economy and thus get the economy as a whole back on an upward track as quickly as possible.

Who should go into debt?

First, economic theory analyzing the circulation of income and funds shows that economic growth and the accumulation of wealth cannot be attained without debt. In a society marked by the division of labor, current income will only just suffice to finance ongoing expenses. Consequently, there always has to be somebody who goes into debt, in order to provide (directly or indirectly) advance financing for a higher level of production and thus economic growth. If there always has to be someone to go into debt so as to generate growth, then one must ask whether the state necessarily has to play that role, or whether growth can be achieved even when the government does not incur any debt.

In the past it was usually the private business sector that took on debt for its

own investment projects and thus created growth. However, in recent years – especially as financial capital markets have become the dominant feature of the global economy – it is evident that private enterprises have become less willing to tap the savings of private households for investment purposes. That is, their willingness to incur debt has diminished. Instead, they have tended more and more to finance investments via cash flow, i.e., out of their own retained earnings. As a matter of fact there have been years in the recent past in which the private business sector turned out to be a (net) saver on the macroeconomic level, a role normally assumed in the overall economy (only) by the private household sector. In Germany, the net monetary assets of private households increased from 70 % of the Gross Domestic Product (GDP) to more than 120 % between 1991 and 2010 while the liabilities of the corporate sector oscillated between 50 % and 70 %. The resulting gap had to be closed by foreign debtors and the German government whose net debt increased from about 20 % to 50%.

Alternatively the private household sector could go into debt in order to stimulate growth through more consumption. Indeed, just such a »privatized Keynesianism« could be observed in the years leading up to the financial crisis, especially in the United States. There, thanks to the deregulation of financial markets and numerous financial innovations, private households were able to go more deeply into debt and hastened to do so, thus for a long time acting as the *consumer of last resort* to crank up the growth motor of the global economy. Nevertheless, the most recent experiences surrounding the financial and economic crisis show that this practice does not offer a sustainable path to growth and prosperity. Eventually private households will end up too deeply indebted. And when that occurs, the state will again have to bail out the private sector (households, busi-

nesses, banks) by increasing its own debt. Alternatively, foreign countries rather than the domestic economy could assume more debt, thereby acting as an economic motor by permitting export surpluses. We can observe that tendency in the past few decades as well, particularly in Germany. There, especially in the years prior to the financial crisis, an increasing amount of capital has been exported to foreign countries, partly because domestic savings have not been directly absorbed by domestic investment. This trend has sparked a boom in investment and consumption abroad and contributed to Germany's essentially export-driven economic growth. Paralleling these developments, Germany's export of capital has improved its net foreign asset position, which may prove advantageous for the care of its aging population. Yet the most recent experiences surrounding the financial crisis have shown that even this strategy – counting on the willingness and ability of foreigners to incur debt rather than one's own domestic enterprises or the state – does not turn out to be sustainable. Sooner or later some kind of crisis will crop up that affects the deficit countries or at least their debt levels and/or finances. Such crises put at risk not only Germany's export-driven growth model, but also its previously accumulated foreign assets, the value of which would decline (in part or entirely) due to the crisis. Here again the government would have to step in and cushion the negative impacts upon the private sector by assuming more debt.

If the private business sector would resume its classical function of absorbing private savings for investment purposes, that alone would reduce pressure on the government to stimulate growth through taking on sovereign debt and stepping in as the borrower of last resort in case of excessive private deleveraging. We therefore have to inquire whether the state could use certain measures such as tax policy to achieve macroeconomic growth and pros-

perity without assuming more sovereign debt. Do we need the indebted state in certain circumstances only because democracy is not in position to mobilize enough tax revenue? Or do contemporary democracies need the indebted state for more fundamental reasons, principally to stoke demand for savings which in turn generates economic growth?

If it makes sense for private firms to finance their activities (in part) through credits, why should not the same principle hold true for states? For example isn't increasing public debt indispensable in order to finance important drivers of economic growth such as public investments in education, health, infrastructure, and social equalization? This conclusion seems especially compelling when one takes into account that we must somehow compensate for the structural weakness in private propensity to invest that has been evident for some time now. And don't public debts under certain circumstances play a crucial macroeconomic role in the accumulation of wealth and prosperity in the hands of private households? From a macroeconomic standpoint, what would happen to growth and prosperity if the state were to stop absorbing private savings? What would happen to the global financial system and to capital-based retirement schemes if the government, committed to eliminating public debt, stopped issuing bonds and borrowing? After all, sovereign debt had long been regarded as the most secure investment and indeed the foundation of the world's financial architecture – at least until the financial crisis hit.

Second: Is the indebted state consistent with democracy, and if so, how? When the government gets into debt, it obviously loses sovereignty to its creditors, who can exercise increasing political control. This may become a serious problem not only on economic, but also on democratic grounds, when demands are levied upon the government by a minority of citizens or even from

abroad. In such cases the power of certain actors over the indebted state would be magnified. Let it be noted that, as a general rule, the interests of creditors do not necessarily mesh with the interests and political will of a country's majority. One can observe this dilemma at work in situations where public debt is growing. The more deeply indebted governments become, the more they have to divert public funds to debt service and interest payments instead of using them for other, democratically desirable purposes. Moreover, as the counterpart to this sovereign debt we find corresponding but very unequally distributed private wealth. As debt-related interest payments are doled out to the government's creditors, we also see increasing redistribution of wealth between rich and poor as well as from wage and salary earners to those who derive their income from savings and investment (known as »unearned income«). Both trends may jeopardize not only economic growth but also – increasingly – democracy itself.

The fact that the interests of creditors diverge from those of a country's broader populace shows up even more clearly when – as in the typical case – measures to balance the budget are taken during periods of crisis. All of the austerity and bailout measures approved during the EMU crisis have aimed at restoring the confidence of international capital markets in the soundness of government finances. The affected states thus feel compelled to take account of the demands raised by these (undemocratic) financial markets. They then usually pursue a creditor-oriented austerity policy (by cutting public expenditures, raising taxes, and selling off public infrastructure). Yet from the point of view of economics these austerity measures in and of themselves have a pro-cyclical impact and so exacerbate the crisis. What is more, the dominance of pure market rationality or the market principle inherent in them as well as the concomitant loss of social

justice may lead the hard-hit citizenry of many countries to launch massive protest demonstrations, thus posing new dangers for democracy. For example, the governments in many crisis-plagued countries refuse to hold plebiscites on the bailouts of (foreign) creditors and holders of wealth, out of a widely shared concern that these might shake the confidence of »the markets,« thereby precipitating still higher interest rates. Even opposition parties in the countries hit by the crisis see no option other than to accord absolute priority to the demands of »the markets.«

»Efficient financial markets – wishful thinking«

Financial markets are supposed to exert a powerful disciplining influence on states' budgetary policies, mainly by setting interest rates. And yet on closer inspection one has to ask whether actors in the financial markets are really carrying out this control function in as rational and carefully targeted a way as has been claimed. Long before the simmering financial crisis of 2007 arrived, impressive evidence had been accumulating that it no longer makes sense to talk about »efficient financial markets.« They are instead characterized by short-term strategies of profit maximization and herd behavior. They therefore contribute to the formation of dangerous speculative bubbles that eventually end up as more or less serious financial crises. Even in the context of the EMU crisis one notices that financial markets (including the rating agencies) did not exert an early stabilizing, corrective influence on faulty developments or disequilibria, as has been generally claimed. To the contrary, they exacerbated such tendencies by pro-cyclical herd behavior and creditor panic during the crisis. But then if (financial) markets evidently fail to exercise any control over sovereign debt, how do we guarantee

sustainable, reasonable levels of public debt? Does government debt inevitably end up in a situation where the creditors have political control? Or can it be institutionally imbedded in such a way that democracy is shielded from the power of creditors? Various strategies have been proposed to resolve those issues. On one hand, some have insisted that states should avoid incurring any debt at all in order to free themselves from the clutches of (un-democratic) financial markets and thus focus more strongly on the interests of their own populations. One prominent demand is to prohibit sovereign debt by law, usually by building in some kind of debt-brake into the constitution. The background assumption lurking behind such proposals for self-discipline on the part of legislatures is that politicians would like to pursue a short-term policy of maximizing votes by handing out all sorts of expensive electoral gifts, and would therefore have little interest in long-term, sustainable fiscal policies. It is doubtful that this assumption is always true, not least because many countries can be found in which governments have succeeded in consolidating their finances in the past, even without any legal debt-brake. At least this last wave of (massively) increased debt burdens appears to have had nothing to do with the failure of democracy or politics. Rather it arose on account of the financial crisis caused by excessive private sector debt.

A further objection to the demand for a strict debt-brake-in addition to all the conceptual difficulties involved in implementing one – would be that the political self-discipline imposed by it would severely curtail the prerogatives of democratically elected legislatures. Nor can one discover any economically reasonable justification for believing that a balanced budget (beyond the business cycle) would be optimal. According to an equation developed by the Russian-American economist Evsey D. Domar, the debt-to-GDP ratio over the

long term should approximate the quotient of the deficit ratio and the growth rate. Thus, even accumulating more and more debt can be sustainable as long as the economy continues to grow. Thus, for example, the well-known Maastricht criteria implicitly assumed a (nominal) rate of growth of 5 %, which – given a deficit ratio of 3 % – would keep the debt-to-GDP ratio at 60 %. But if a strict debt-brake were introduced and rigidly adhered to, the debt-to-GDP ratio would over time tend towards zero. And no good reasons can be adduced as to why this is reasonable goal, especially as long as the economy keeps growing. To the contrary: if sovereign debt is necessary on a macroeconomic level to promote growth and prosperity, then such a regulation would prove counterproductive on economic as well as social policy grounds.

On the other hand, some critics suggest shielding the state from the excessive power of creditors by supervising and regulating financial markets more closely. It remains to be seen whether and to what extent such proposals might succeed. One radical option would be cutting government debt by involving private creditors in restructuring the public debt (as in the case of Greece), rather than taxing their wealth. This would signal a fundamental regime change in global financial architecture if loans to the government were to lose their character as secure forms of investment. Such a move would surely make it more difficult and costly in the future to find financing for public investments on international financial markets. However, it might be possible to invent new regulatory channels that tie the interests of creditors more closely to those of the general population of a country. One could finance the state by issuing government »shares« rather than by relying on bonds. In that case the government could pay dividends that would depend on the levels of economic growth and general tax revenues generated by the broader economy instead of paying fixed

interest on loans. That alone would solve a lot of problems.

As an alternative to all these schemes, some in the EMU insist that the European Central Bank should be positioned as the lender of last resort in the market for sovereign debt (in the financial sector those institutions are dubbed »lenders of last resort« that – either voluntarily or by law – step in to offer new credits or guarantee debts that no one else is willing to guarantee). That would erase any possible doubts about a given government's liquidity or solvency. Several countries (e.g., the United States, Japan, and Great Britain) have shown that such a flanking financial policy on the part of central banks can make even heavy debt loads bearable and avoid the creditor panics and the ensuing crises of liquidity and solvency that usually accompany them. To be sure, some critics of the scheme would prefer to prohibit the Central Bank from purchasing

any government bonds on the grounds that monetarizing public debts would ultimately lead to inflation. Yet the examples of the United States and Japan indicate that this may not necessarily be the case. To some extent then, especially in the EMU, we should be rethinking not only the issue of sustainable government finances, but also the goals and policy instruments of the – still independent – European Central Bank itself. All of these questions and problems need to be clarified in an unbiased, undogmatic way; that will provide the basis for making consistent, perspicacious political choices among a variety of policy options. Well-chosen policies – i.e., ones that promote democracy, justice, and economic efficiency all at once – will in turn provide the indispensable prerequisite for resolving the current conflict between the constraints of financial markets and aspirations for democratic self-determination. ■

Wolfgang Schroeder

The SPD's Road toward New Progress

At its National Congress around the beginning of December 2011 the SPD made some important structural adjustments to its program. Perhaps the most significant changes involved its positions on the functions and institutions of the European Union. The Party proceeded circumspectly, always an eye on its identity.

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In a time that threatens to fall out of joint, the SPD's review of its own program did not fail to thematize the relationship between capitalism and democracy. Even to-

day Karl Polanyi's 1944 classic, *The Great Transformation*, sounds an inspiring note: »The economy is no longer imbedded in social relationships; rather, social relationships are imbedded in the economic system.« According to Polanyi the destructive consequences of untrammelled markets provoke – almost pendulum-like – a self-protective reaction on the part of society. Among these historical counter-measures were the rise of labor unions, social security systems, and laws to regulate markets. In this sense social democracy is

still about developing schemes to strike a better balance between dynamic market processes and social integration.

So how does our economic system have to be constructed and regulated in the future in order to create a good society for everyone? In its deliberations on this broad question, the SPD focused on one crucial problem. Since we live in a society built on work, ways must be found to satisfy people's need to participate in and shape the decisions that affect them as well as offering them protection against the vicissitudes of the market. Yet those imperatives must also be balanced against the inevitable economic and social dynamism unleashed by scientific and technical change. Aware that it must negotiate the tensions generated by these often conflicting goals, the SPD decided to deal with the contradictions of our epoch by redefining the notion of progress itself. In a way analogous to Polanyi's pendulum movement, this rethinking of progress suggests that the SPD is swinging back toward the center of gravity of its historic political »brand,« finding means to combine economic and social progress.

Agenda 2010 drove a wedge into the Party⁵. Some saw in it an appropriate response to the difficulties that globalization had entailed for the German Model, while others thought it signaled a betrayal of social-democratic principles. At the time the SPD government had to cope with economic pressures generated by a stagnant economy, high unemployment, and the constraints implicit in the global competition to become a »business-friendly« location. It responded by wagering that it could provide social security most effectively by going along with the market rather than opposing it. Among the measures it adopted in this spirit were lower taxes and fringe benefit costs as well as deregulation of labor markets, all of which were intended to make Germany a more competitive place to do business. There is plenty of evidence

today to prove that these policies worked. Germany weathered the world economic and financial crisis better than other countries.

Yet these accomplishments have certainly had a darker side: The low-wage sector expanded, and atypical forms of employment proliferated on the watch of the Social Democrats. In consequence, around 22 % of all income-earners worked for low wages, while 1.4 million of them qualified for subsidies from the Hartz IV program⁶. The number of those working on temporary contracts today is twice as high as it was in 2004. Poverty and social injustice have increased more in Germany during the past twenty years than in most other OECD countries. That is the reason why the legacy of the last SPD-led government is identified by the label »Hartz IV,« even though it produced other, equally important and far more popular policy initiatives, including a new citizenship law, strong moves toward full-day schooling, and the eventual end of nuclear-generated power. As a result of the Hartz IV debacle, the SPD soon came to bear the brunt of its core electoral supporters' disappointment.

The adjustments the SPD has made in the labor market and social policy areas reflect not merely some unintended and unfavorable developments in the former, but also some misjudgments that were the fault of the Party itself. When the Agenda 2010 policies were adopted, the main goal was simply to increase the quantity of available jobs, whereas now the *quality* of those jobs is getting far more attention. The SPD and the labor unions have closed ranks to launch a campaign for »good work« which provides a conceptual basis for what the Party hopes to achieve. One concrete manifestation of this concern is their commitment to a legal, across-the-board minimum wage and regulation of the contract labor market.

When the red-green coalition was in power, it decided to raise the age for full

pensions to 67, a move that provoked a great deal of criticism, even within the Party. Debates over that decision are still raging. As of 2011 only around 25 % of those over 60 years old were still gainfully employed. In order to avoid the negative impacts on pension levels and especially the increasing poverty among the elderly that would otherwise be expected from this low level of elderly work-force participation, the SPD has advocated several reforms. The party would like to expand the poverty-prevention policies already in place, modify its invalidity pension, and postpone implementation of the age increase for drawing a retirement pension until the labor market situation improves. The tax burden on higher-earners has also undergone some cautious correction. A few years ago policymakers worried that rate hikes might encourage higher-earners to abandon the taxing jurisdiction that imposed them, but that pendulum has also swung in the other direction. Because the wealth of this group has increased so much, the current proposal is to raise the top tax bracket from 42 % to 49 %. Plans also call for a restoration of the tax on capital assets and a reform of the rules governing married couples who file joint returns. In general the SPD wants to strengthen public balance sheets without unduly burdening those who will have to pay the most. The idea of providing a universal health insurance plan reflects the same thinking.

So is the SPD about to upset the apple cart of »third way« politics? The previous examples should suffice to show that the social policy pendulum of the SPD has indeed moved, but it has done so without abandoning the basic positions of the red-green phase. There has also been continuity with respect to the debt brake, in the sense that a sustainable policy of fiscal contraction is still on the agenda. Higher-earners will have to bear a heavier burden, not only to bolster state revenues, but also to distribute the burdens in a fairer way.

An effective, investment-friendly policy assumes a state with capacities ample enough to carry it out. In order to enhance the prestige and legitimacy of the political system as a whole, the SPD advocates a plan to supplement representative democracy in part by introducing some elements of direct democracy. Proponents have in mind both plebiscites at the national level and efforts to strengthen local democracy. It is remarkable that deliberations on the strengthening of democracy and others about upgrading Europe's capacity to act were both on the agenda at the SPD Party Congress, but never were considered as aspects of a common project.

Currently, the European Union is the most comprehensive site for carrying out structural adjustments to programs. This is not just a matter of Eurobonds, monetary funds, or other one-off measures to manage crises. Rather, what are at issue here are the principles that underlie the EU's functioning with respect to its institutional order. To prevent the excessive debts of a few countries from paralyzing all of Europe, the SPD is counting on political mechanisms that will generate cooperative, solidarity-based solutions. The central idea here is to forge a new relationship between nation-states and the EU that would allow more national responsibilities to be shifted to the European level, in order to reinforce Europe's capacity to act both internally and externally. In this context the question is not simply how many responsibilities Germany is willing to assign to the European level, but also how much money it is willing to invest to insure Europe's capacity to act on principles of solidarity. But these proposals also raise other questions: how much legitimacy does Europe have in Germany? And won't enhancing Europe's capabilities weaken rather than strengthen German democracy? The social stability pact envisaged by the SPD has to be drawn up in such a way that the sovereignty of nation-states will not be questioned, at

least not in the medium term. Thus, the challenge can be expressed as follows: If the EU is to be given enhanced status in matters of macroeconomic and finance policy, how can the capacities of democratic governance within nation-states simultaneously be preserved?

As we learn anew every day, scientific and technical progress does not lead automatically to social progress. In fact, the economic gains of recent years and the great changes that accompanied them have brought about a polarization between winners and losers. Just recently, Susanne Höll of the *Süddeutsche Zeitung* noted tellingly in her newspaper that the notion of progress nowadays does »not carry positive connotations.« It is therefore necessary and proper to undertake a conceptual revision of the idea of progress, since that is the burden that our age has evidently placed on us. The SPD has indicated in the resolutions it passed at the Berlin Party Congress that it still sees itself as a party of progress in a quite specific sense. It takes the economic, technical, and intellectual potential of society as its criterion for offering every person a share in its benefits. One crucial resolution approved at the Party Congress puts it this way: »We want to have a society based on solidarity, one that links individual freedom to the joint responsibility of each for all the rest. Economic and technological progress as well as ecological sustainability and democratic participation should be combined with individual and social affluence. The crux of our emancipatory project is to combine these elements into an idea of progress that will be new, fair, and sustainable.« The Party's aim is expressly to »make the quality of life of all human beings into the chief criterion for policymaking in Germany.« Progress in the sense indicated by these words cannot happen unless politics takes priority over markets, which must be more effectively imbedded and made to fulfill positive social purposes. The pen-

dulum of SPD thinking is thus swinging slightly away from a »market-friendly« toward a more »market-skeptical« policy position. Nevertheless, it is clearly still important to stimulate the innovative mechanism of the market, yet also to question its outcomes with respect both to fairness in distribution and matters of safety. This must be done after the fact, but also as a preventive measure. A policy that aspires to combat the market's destructive forces in the interest of the majority must do more than merely regulate markets. In this context a positive growth strategy for both industry and the service sector is necessary.

As we analyze the adjustments that the SPD has made in its program, we find a plan for prudent, well-considered action. There are no dramatic shifts in basic policy positions here. The Party has not acquiesced in the policy stances of either the Greens or the Party of the Left. Nor is it – despite many accusations to the contrary – masquerading as the Christian-Democratic Party. Instead, it has resolved to permit the pendulum of policy to move back toward positions that the Party has always understood to be the core of its identity. At the same time it has built a bridge between third-way politics and the new economic, ecological, and social challenges confronting us. In this way the Party is calmly defending its interpretation of social advances, emancipation, and progress. The road to this strategy definitely does not lead through an unconditional basic income. Rather, it leads to an inclusive society based on work, i.e., one in which meaningful work becomes the chief means of integrating individuals into society. The keynote speech at the Party Congress put it this way: »We are the party of work and bear a special responsibility for that very reason.« The resolutions adopted at the Congress indicate that the SPD is ready to meet that responsibility. It is certainly possible that the pendulum of voter approval will now swing back in the SPD's direction. ■

Thomas Meyer

The New Face of Inequality: a »Fragmented Class Society«?

There is no doubt that a certain measure of functional income inequality is legitimate and reasonable from a socioeconomic point of view. But when inequality becomes excessive, it loses all legitimacy, for in that case it shreds the fabric of society and weakens the entire economy. Germany is coming perilously close to that point. Hence, the time for an honest appraisal of inequality in this country has arrived.

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Not so very long ago, Social Democrats thought they should avoid using the term »underclass« to designate the rapidly growing number of long-term unemployed, holders of precarious jobs, low-wage earners, and other socially marginalized groups. They were concerned that, since they periodically shared in governing, they would be held partly responsible for the stubborn persistence of social class divisions even after so many years of political reform. Poverty and inequality had been in decline for decades; however, outside the media spotlight and therefore unnoticed by policymakers, the trend toward greater equality has recently begun to reverse.

Poverty, gross inequality, and social exclusion are making a comeback in our society, even though they appeared to have been banished by the social welfare state and economic regulation. According to our linear idea of progress, this should not be happening. Worse, it threatens the principle of legitimation implicit in that idea of progress at its most vulnerable point (the tendency toward equality), where

Social Democracy has historically found its strongest moral impetus.

Telling it as it is

The new inequality has developed so rapidly that a re-evaluation of social relationships is overdue. It is time to make a sober assessment of actual conditions in society, just as Social Democracy did during its formative period. That is the best way to avoid the mistake against which Ferdinand Lassalle warned when he said: »When we bring our high hopes into the analysis of given social relations, the result is always half-hearted and unsatisfactory. It is better just to tell it as it is without trying to spare anyone's feelings.«

In order to move decisively beyond the usual findings that inequalities and forms of exclusion have gotten worse in our society, new questions have to be asked. What kind of a society is it that is gradually taking shape, quite unforeseen by anyone? What is the social character of the newly emergent order in respect to income, property, and participation? Is the new, unequal social order merely evanescent, a kind of weak phase of the business cycle that will pass as soon as the economy starts to hum again? Or is a new type of class division becoming so entrenched that it challenges the aspirations of social democracy in fundamental ways? Many things about the new order appear dis-

quieting: the unparalleled extent of inequality, the increasing scope of poverty and precariousness, and the exclusion of entire groups in the lower echelons of society (15 % of the population is living in poverty or in danger of falling into it). And, at the upper end of the social scale we encounter the »secession of the successful«: the elite leading luxurious lives without contributing noticeably to the welfare of society as a whole. The really novel aspect of these changing circumstances, one which puts them in a different light, is the hardening of social differences. The dynamic of upward mobility that once existed for the lower strata has nearly come to a standstill; meanwhile the upper crust has sealed itself off almost seamlessly against those from below, recruiting new entrants mostly from within its own ranks. Are these milestones along the way toward a return toward a class society?

This unforeseen resurgence of social cleavages once believed to have been eliminated is not without ominous implications. What will it mean for social cohesion, the legitimacy of a democratic order presumably based on equality, and – above all – social democracy's promise to create a society of equal and free persons? One thing is clear enough: the risks are only exacerbated by evading such questions in the hope that, if we keep silent about them, the threat might go away. Silence would only aggravate the rupture that now afflicts society as well as the breach between it and the political process occasioned by these same tendencies (the »crisis of representation«). And the hopes for improvement on the part of those most deeply affected by the crisis would be dashed.

Long-buried social cleavages resurface

So what is the actual state of affairs? Hard facts combined with the most up-to-date

sociological debates yield a clear picture of the newly emergent order of inequality. It is characterized by deepening, more intense social cleavages. The results may be epitomized in Hans Bude's concept of a »fragmented« three-class society. That notion involves something more than the oft-cited »two-thirds society.« The lower class comprises those affected or threatened by poverty and exclusion, and who are shut out of most opportunities for social participation. The new underclass includes the long-term unemployed, many people who shuttle between poorly paid work and unemployment (the »precariously employed«), low-wage workers, single mothers, and many of the elderly poor. The members of this class are likewise permanently denied most opportunities to take part in social and political affairs, which of course leads to their alienation from society and the commonwealth. The effects of class become ever more persistent due to several factors: the continuing influence of the underlying social and economic circumstances that caused it in the first place; the self-reinforcing negative consequences of the situation that confronts members of the underclass, and the discouraging life experiences that carry over into the next generation. Since members of today's lower stratum have little real chance of moving up, they eventually give in to resignation – in sharp contrast to the older working class with its boundless determination and its confidence in progress and personal advancement. This is the one thing that truly distinguishes the new »underclass« from the old working class.

In respect to their ways of life and income levels, members of the middle class are a highly diverse group, both horizontally and vertically. But what divides this class most deeply is the degree to which its members must worry about downward mobility. A minority of this group has cultivated skills and types of knowledge that are particularly well adapted to mar-

ket demand; hence its members live a reasonably secure life, enjoying their acquired status. But the majority always lives with the dread of falling into the underclass, often through no fault of their own.

The upper class, too, is internally diverse, again in respect to way of life, professional position, and income sources. Its members are recruited through educational connections, »old boy« networks, and the filtering effect of familiar life styles. The core of this group consists of the top managers of financial and multinational corporations, people whom the German far right used to call »fellows without a country.« Differences in income and wealth between those at the very top and the very bottom are greater than ever with the top 10 % of the population controlling 60 % of the wealth! The income differential between a firm's average employees and its top management has widened substantially: according to one OECD study the top 10 % of German income recipients already earn eight times as much as the bottom decile. Regardless of how much (or little) it has actually achieved, the upper class leads a life of privilege that it has largely awarded itself: year-end bonuses that are the stuff of fantasy, as well as guaranteed lavish pensions even after short periods of service. Their privileges breed a *rentier* mentality that mocks the traditional bourgeois work ethic. Sighard Neckel has coined just the right expression for all this: refeudalization. The new order of inequality is increasingly squeezing the visible patchwork of social milieus, despite all of its vertical and horizontal diversity, in the vise of class formation. Added to these trends there is another unprecedented development. To a degree unknown in the past, individual social classes are losing touch with their own internal milieus. Especially where downward mobility is at stake, a new mentality has emerged in which people think: »I really don't need to worry about the social destiny of other

people.« Social consciousness gets ever more rarefied. That is what Heinz Bude has in mind when he discusses the »fragmentation« characteristic of the new inequality.

Behind the scenes of visible social milieus, then, a »fragmented class society« devoid of class consciousness is taking hold. The absence (so far) of even the slightest scintilla of class consciousness has its origins in an even more fundamental lack of awareness that people's lives and fates are interdependent. But let no one be consoled by the thought that the new inequality is not sparking much obvious resentment; what is happening today poses an unacknowledged risk to the entire society. There is no reason to suppose that insecure, marginalized people who are barely getting by will continue to overlook the lavish incomes, wealth, opportunities, and sense of security that prevail at the top of the social pyramid, as the latter ignore the fate of those at the bottom. It would fly in the face of all historical experience – not to mention the mass protests that are beginning to occur around the globe – to imagine that the marginalized social classes will remain indifferent as they see their own values mocked. They still believe that hard work and achievement bring success; indeed, that belief still helps legitimize the market economy and ensures its acceptance as a linchpin of democracy.

Thus, after a long egalitarian interlude sustained by Keynesian policies and social welfare measures in the wake of WW II, we are witnessing the comeback of inequality. What went almost unnoticed at first has by now become so obvious that it can neither be overlooked nor swept under the rug by semantic strategies. It is of course true that the traditional notion of class, especially in its Marxian variant, misses the mark of current trends. Those in the service industry who live in luxury or those who exercise control over great wealth are not necessarily the owners of the wealth they create

and manage. On the other hand, quite a few entrepreneurs in the middle class work hard for the money they earn without enjoying any income and status security.

The notion of »social strata« was intended to overcome the lack of conceptual clarity noted already. The criteria of income, education, and professional position were added to offer a more accurate picture of how the new order of inequality actually worked. But unfortunately they have failed to provide a sufficiently precise image due to the great diversity in lifestyle contained within the modern-day service sector. Bourdieu's idea of social milieus, by contrast, includes even the inequality that arises from differences in the circumstances of employment and ways of life. But the image of a milieu society has also encouraged the illusion that everybody can choose where s/he would like to belong. Individualism replaces social stratum and class, and we end up with a pattern of inequality that has only a horizontal dimension, not a vertical one. To be sure, the milieu model did put the social-cultural disassociation of groups into the foreground, but that did not seem so important, as long as individual opportunities to make choices were what really counted.

Toward conceptual clarity

None of the concepts usually employed to make sense of social class really captures what is going on in the new inegalitarian order of things. All of them fuse descriptive and evaluative perspectives. The notion of »class« always described both social polarization and political conflicts of interest. »Stratum« was a concept meant to placate everyone just because it seemed to function beyond class and conflict. »Milieu« calls to mind individualism, personal choice, horizontal alignment and socio-economic innocuousness. These notions

all divert attention from the core phenomena of the new inegalitarianism as well as the risks that it entails. The forms of protest currently taking place around the globe should be seen as preliminary warning signals. For one thing, we should worry about the close association between social marginalization and political apathy in Germany. The twofold notion of a fragmented class society, by contrast, expresses both the growing polarization between groups as well as their increasing indifference toward one another. But it also lets us see that the latter phenomenon mostly works from the top down, but not vice versa. The positional interests of the two sides are simply too opposed for a two-directional flow to take place. What is at stake in the new inequality are not simply differences in lifestyle, but opportunities in life, issues of social survival. Insecurity, exclusion, and poverty do indeed give rise to resignation and apathy, but these are not the only possible reactions. Outrage, protest, and revolt are also starting to happen. One can almost hear the creaks and groans as cracks begin to appear in the foundations of the new order of inequality. The social democratic compromise, which is actually the underpinning of democratic capitalism, has been called into question in radical ways by big business and its service class. Democratic regulation of the economy and the leveling-down of previously existing social inequalities have been ratcheted back. The last appeal that Tony Judt issued before his death was to halt and reverse this explosive tendency before it is too late. Any country that ignores these risks will regret it. But first we must find an appropriate label for this kind of danger, and social-scientific research has done a lot already. Then the next step is to give new life and meaning to the venerable but still indispensable social democratic values of equal liberty and solidarity. They helped ensure that conditions could not remain as they once had been. ■

Katajun Aminpur

Prospects for Democracy in the Arab World

The various »Arab Springs« produced mixed emotions in the West. With elections in the offing, observers inevitably wondered whether a state based on the Koran and the Sunna could be a democracy at all. Our author believes that their point of view is both hypocritical and blind to reality.

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There are quite a few people who cannot get the frightening specter of Iran out of their minds. That country's 1979 revolution did send its dictator packing, but those who had assumed that democracy would follow on the heels of dictatorship were sorely disappointed. Before long the Iranian people once again found themselves living in a dictatorship, albeit one dominated by Islamists. And many observers fear that this sequence of events could recur. Yet however similar these events may appear at first glance, worries about an Iranian-style Islamist takeover in the aftermath of the Arab Spring are unjustified. A lot of time has passed in the interim. For the inhabitants of the Arab world Iran has become an example of what to avoid, not a model to be emulated. Furthermore, in 1979 many Iranians either had no idea what democracy was, or – if they did – believed it had already been discredited. That is unfortunately a situation for which the West must bear some responsibility. But nowadays things look quite different in both the Arab world and in Iran. People want democracy, as they showed recently when they risked their lives by going into the streets. Their resolve reflected neither a whim nor a passing fad.

Pippa Norris and Ronald Inglehart have already shown in their noteworthy 2004 study, *Sacred and Secular*, that Western and Muslim religious societies differ scarcely at all in their degree of support for democracy understood as a kind of practice or a lived experience. The same holds true for their level of acceptance of democratic values. By contrast, they argued, those same values are far less widely accepted in the countries of Eastern Europe and Latin America than they are in the Islamic world. Their study uncovered the highest levels of support for democratic values in Denmark, Iceland, and Sweden, with Germany and Austria right behind, but also closely followed by Bangladesh, Egypt, and Azerbaijan. The United States, Turkey, and Jordan ended up somewhere in the middle of the pack. In short, Norris and Inglehart have by now furnished evidence that Samuel Huntington's brazen thesis about an impending *Clash of Civilizations* must be rejected on empirical grounds, however popular it may be. Yet their findings have so far only been acknowledged by insiders, while Huntington and his ilk for whatever reason continue to win converts.

Religious commandments: from theory to practice

Against Norris and Inglehart one could argue that enthusiasm for democracy in the Arab world is superficial, limited to voting procedures alone. If the will of the majority should happen to conflict with the divine law, then Muslims – so it could

be said – would have a problem with democracy. Riaz Hassan in his study, *Faith-lines: Muslim Conceptions of Islam and Society*, advances exactly this argument. He claims that Muslims could not accept one of democracy's essential tenets, majority rule, due to the religious nature of their social and political order. If the will of the majority should run contrary to divine edict, Hassan asserts, the latter would have to prevail. He relies on one of his own opinion surveys, in which 93 % of the Indonesians, Pakistanis, and Egyptians he interviewed declared that an Islamic society should be based on the Koran and Sunna; i.e., on the laws of God, rather than majority rule. Assertions such as his are often cited with alarm whenever talk turns to the future of the Arab world.

Yet we should not necessarily interpret these findings in the most obvious way. They do not have to mean a future in which hands will again be chopped off and mandatory veiling reintroduced. Indeed, the entire question may have asked in a way that produced a misleading answer. A Muslim cannot simply reply »no« in response to the question, »Must a society be based on the Koran and Sharia?« Rather, Muslims have a certain sense of who they are and what their religion is all about, and that includes the idea that society ought to be based on the Koran and Sharia. But it does not necessarily follow that the Koran and the system of law it entails must be applied literally. We are dealing here with the interpretation of religious rules as well as their practical implementation. And this is a wide-open field, because one person's Sharia and Islam may not be the same as another's.

The possibilities for new and modern interpretations of Islamic law are limitless. During many periods of Islamic history, including even the present one, the law has been updated and developed in flexible ways. It is of course true that backward-looking Islamic fundamentalists would like to apply penal and family law rigidly, which

would often work to the detriment of women. Yet it would appear that the majority does not approve of such a rigid exegesis. Thus, a state based on the Koran and Sunna can certainly be a democratic one. Everything depends on how one interprets the law upon which such a state is supposed to be based. Under a more flexible interpretation, there would be no contradiction in claiming that a state could be democratic and still be guided by the Koran and Sunna.

Moreover, it is unlikely that the women of Tunisia, who for years lived in the most progressive and gender-unbiased legal system in the Islamic world, would allow their prerogatives to be taken away. Besides, representatives of the Islamic parties in »Arab Spring« countries have frequently indicated that they have no intention of turning the clock back. Of course we must never forget that Khomeini too promised liberty prior to seizing power and then subsequently broke his promise.

But on the other hand there is no reason why history has to repeat itself. The Islamists of Tunisia and Egypt are way ahead of those of Iran 30 years ago. When they take a close look at Iran – and they do – they realize that a rigid interpretation of Islam does not lead people to embrace the faith. They also understand that a ruling clique that bases its authority on just such an exegesis will not last forever.

Let's have greater confidence in the Arab World's democratic potential

Islamists in many parts of the world have also learned to act pragmatically when in power. That was certainly true of Hezbollah in Lebanon as well as the Islamists in Jordan. Once the latter were finally allowed to share power, they quickly became pragmatic adepts of *Realpolitik*. And surely no one would call it *Realpolitik* if Tunisia and Egypt were to be catapulted back into some sort of radical-Islamic Stone Age.

There is one simple reason why the Islamists won the Tunisian elections and will likely do the same in Egypt. They are not generally thought to be corrupt; they are well-known to the people, in contrast to many other newly formed parties; and they were always there to help ordinary people when the state failed to do so. The Islamist associations, especially in Egypt, have always operated as welfare providers, and they are now reaping the benefits of their previous service to the community. Whether or not the West approves of this, it will not be able to do much to change it. Still, the West should have an interest in stabilizing Tunisia and Egypt, a goal that can be achieved best by offering economic assistance to get those countries back on their feet. Europe's reaction has been ignoble. While the people at Tahrir Square in Cairo were fighting for the values that supposedly

emerged from Judeo-Christian civilization, doomsayers here were predicting an Islamist takeover and a wave of refugees rolling from North Africa over Europe.

Now is the time for us to show that we take values like liberty and justice seriously. For too long we have sacrificed those values as we cozied up to North Africa's dictators, taking at face value their assurances that they represented the only alternatives to an Islamist seizure of power. People in the Islamic world have long suspected that we in the West reserve the benefits of freedom and justice, human rights and peace for ourselves alone. We ought to have greater confidence in the democratic potential of those people, and stand ready to offer our help whenever democracy is in trouble. We should realize that democracy is most likely to take root when people have enough to eat. ■

Donatella Della Porta

Social movements for »another democracy«

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The Arab Spring could be read as yet another testimony that democracy is becoming »the only game in town«. The effects of the wave of protest that brought about democratization processes in an area of the world traditionally defined as dominated by resilient authoritarian regimes for sure contributed to challenge the idea of a clash of civilization based on the incompatibility of Islam with democracy. Moreover, they have shown that, even in

brutal dictatorship, citizens do mobilize, and not only on material issues. Interpreting the Arab Spring as merely a call for representative institutions will however be misleading. The protestors in the Tahrir Square were calling for freedom, but also practicing other conceptions of democracy that, if not opposed, are certainly different from liberal representative democracy, resonating instead with ideas of participatory and deliberative democracy.

Not by chance, when the ideas of the Arab Spring spread from the MENA region to Europe, they were adopted and adapted by social movements that challenged indeed representative democracy. Directly inspired by the Arab Spring, the Spanish and then Greek Indignados occupied hundreds of squares in order not only to protest austerity measures in their

respective countries, but also to ask for more, and a different democracy. Austerity measures in Iceland, Ireland, Greece, Portugal and Spain were in fact met with long-lasting, mass protests.

Another protest was also seen – not against the former, but certainly different and more directly concentrated on themes of democracy: the criticism of democracy as it is now, but also the elaboration of possible alternatives. »*Democracia real ya!*« was the main slogan of the Spanish *indignados* protesters that occupied the Placa del Sol in Madrid, the Placa de Catalunya in Barcelona and hundreds of squares in the rest of the country from 15 May, calling for different social and economic policies and indeed greater citizen participation in their formulation and implementation. Before this example in Spain, self-convened citizens in Iceland had demanded the resignation of the government and its delegates in the Central Bank and financial authority between the end of 2008 and the beginning of the following year, while in Portugal, a demonstration arranged via Facebook in March 2011 brought more than 200,000 young Portuguese people to the streets. The *indignados* protests in turn inspired similar mobilisations in Greece, where opposition to austerity measures had already been expressed in occasionally violent forms.

Similarly, when the Occupy Wall Street started in the United States, quickly spreading in thousands of American cities, the concern voiced by the protestors addressed the financial crisis, but even more the failure of democratic governments to live up to the expectation of their citizens. Their very democratic quality was in fact contested. On October 15 2011, the protest events registered in 951 cities in 82 countries challenged not only the economic and social policy choices, but even more what they saw as a deterioration of representative liberal democracy. What is more, the occupations represented not only occasions to protest but also experimentations

with participatory and deliberative forms of democracy. The very meaning of democracy was, that is, contested.

There is in fact no doubt that the crisis in Europe is a crisis of democracy as well as, or even more than, a financial crisis. Neo-liberalism was and, in fact, is, a political doctrine that brings with it a minimalist vision of the public and democracy – as Colin Crouch demonstrates so well in his *Post-Democracy*. It foresees not only the reduction of political interventions to balance the market (and consequent liberalisation, privatisation and deregulation) but also an elitist concept of citizen participation (electoral only, and therefore occasional and potentially distorted) and an increased level of influence for lobbies and strong interests. The challenge to a liberal concept and practice of democracy is however accompanied by the (re)emergence of diverse concepts and practices of democracy, elaborated and practiced by – among others – movements that in Europe today are opposing a neo-liberal solution to the financial crisis, accused of further depressing consumption and thereby quashing any prospects for development (whether sustainable or not).

Accused of being apolitical and populist, these movements have placed what Claus Offe long ago defined as the »meta-question« of democracy at the centre of their action. The *indignados*' discourse on democracy is articulate and complex, taking up some of the principal criticisms of the ever-decreasing quality of representative democracies, but also some of the main proposals inspired by other democratic qualities beyond representation, that are based on electoral accountability. These proposals resonate with (more traditional) participatory visions, but also with new deliberative conceptions that underline the importance of creating multiple public spaces, egalitarian but plural.

Above all, it criticises the ever more evident shortcomings of representative

democracies, mirroring a declining trust in the ability of parties to channel emerging demands in the political system. Beginning from Iceland, and forcefully in Spain and Portugal, indignation is addressed towards corruption in the political class, seen in both bribes (the dismissal of corrupt people from institution is called for) in a concrete sense, and in the privileges granted to lobbies and common interests shared by public institutions and economic (and often financial) powers. It is to this corruption – that is the corruption of democracy – that much of the responsibility for the economic crisis, and the inability to manage it, is attributed to.

If the centrality of the condemnation of corruption has bent some noses out of shape on the left (which still sees anti-politics more in the criticism of corruption than in corruption itself), the slogan »they don't represent us« is nevertheless also linked to a deeper criticism of the degeneration of representative democracy, linked in turn to elected politicians' failure to »do politics«. The latter are often united in creating an image suggesting that no alternatives are available – an image that protesters do not accept. Representative democracy is also criticised for having allowed the abduction of democracy, not only by financial powers, but also by international organisations, above all the International Monetary Fund and the European Union. Pacts for the Euro and stability, imposed in exchange for loans, are considered as

anti-constitutional forms of blackmail, depriving citizens of their sovereignty.

But there is also another vision of democracy, that which normative theory has recently defined deliberative democracy, and which the global justice movement has elaborated and diffused through the social forums as consensus democracy. This conception of democracy is prefigured by the very same indignados that occupy squares, transforming them into public spheres made up of »normal citizens«. It is an attempt to create high quality discursive democracy, recognising the equal rights of all (not only delegates and experts) to speak (and to respect) in a public and plural space, open to discussion and deliberation on themes that range from situations suffered to concrete solutions to specific problems, from the elaboration of proposals on common goods to the formation collective solidarity and emerging identities.

This prefiguration of deliberative democracy follows a vision profoundly different to that which legitimates representative democracy based on the principle of majority decisions. Democratic quality here is in fact measured by the possibility to elaborate ideas within discursive, open and public arenas, where citizens play an active role in identifying problems, but also in elaborating possible solutions. It is the opposite of a certain acceptance of democracy of the prince, where the professional elected to govern must not be disturbed – at least until fresh elections are held. ■

¹ Kurt Schumacher (1895-1952) was the Chair of the SPD from shortly after WW II until his death in 1952. He opposed German participation in forerunners of the EU such as the European Coal and Steel Community and the Council of Europe.

² The Growth Acceleration Law, passed by the German parliament at the end of 2009, aimed to restart lagging growth by means of »well targeted tax relief,« for example by raising family allowances, lowering certain inheritance taxes, liberalizing tax write-offs for businesses and much more.

³ Miegel cofounded the Bonn Institute for Economy and Society along with his close collaborator, prominent CDU politician Kurt Biedenkopf.

⁴ Former Foreign Minister Frank-Walter Steinmeier leads the opposition SPD in the German Bundestag.

⁵ Agenda 2010 was a reform proposal presented to the German Parliament by SPD Chancellor Gerhard Schroeder in 2003. It featured major cuts in taxes and spending, with the latter targeting pensions, unemployment compensation, and medical care.

⁶ Hartz IV, which went into effect in 2005 as part of the Agenda 2010 program, merged long-term unemployment assistance with welfare payments, albeit at a lower level than before. Wage-earners could still qualify for a certain category of unemployment subsidies if their income and assets were low enough.

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