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After the golden age: a decline of social democratic policies in Western Europe during the 1980s?

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**After the Golden Age: A Decline of Social Democratic
Policies in Western Europe during the 1980s?**

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Working Paper Series #20

This article, written in 1989, tests the (liberal, Marxist, rational choice) hypotheses on the decline of social democracy on the policy level. After a brief critique of the shortcomings of the "decline hypotheses," the policies of those social democratic and socialist parties are analyzed which have stayed in government during the "post-golden age" (Sweden, Norway, Finland, Austria, France, Greece, Spain)—which is to say, after the second oil-price shock of 1980. The general answer to the predictions of a general decline is clear: there can be no general answer. The decline of social democratic policies is neither general nor irresistible. Besides the failure of implementing social democratic policies in southern Europe, there are cases of resilience and resurgence of social democracy in northern Europe as well, i.e., there are too many exceptions for any "general thesis" to sustain.

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1. The End of the "Golden Age" of Social Democracy

The electoral and political success of social democracy after 1945 is closely linked to the "Keynesian Revolution" in macroeconomic policy. It enabled the social democratic parties to abandon the "electorally unfeasible" (Przeworski 1985) concept of the nationalization of the means of production without giving up their goals of improving welfare and promoting social equality. In the perception and strategy of many social democrats the ownership of the means of production became obsolete. State interventions should be restricted to influencing the economy largely by indirect means, securing a prospective policy regarding business cycles. The slogan which concisely sums up this new approach is to be found in the Bad Godesberg Programm of the SPD (1959): "As much competition as possible - as much planning as necessary". J.M.Keynes famous dictum became the credo of post war social democracy: "it is not the ownership of the instruments of production which is important for the state to assume. If the state is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary" (1964: 378). The Keynesian emphasis on wages as the important factor in global demand management and state intervention for guaranteeing economic prosperity made social democratic policy preferences such as full employment and income redistribution possible without endangering the

accumulation capacity of capital. For three decades, it seemed that the old social democratic dilemma of the goals of egalitarian redistribution and economic necessities was disappearing. "Suddenly the workers turned out to be the representatives of the universal interest. Their particularistic interest in consumption coincided with the general interest in production" (Przeworski 1985: 209). The Keynesian macroeconomic policy helped to create a specific political configuration which reproduced the preconditions for social democratic success throughout three decades in many countries of North- and Central Europe.

Now the favourable framework for the social democratic consensus has been changing since the mid-seventies. Since then, numerous books and articles have been written on the "end of the golden age" of Social Democracy (Offe 1984; Przeworski 1985; Przeworski/Sprague 1986; Paterson/Thomas 1986; Scharpf 1987; Miliband/Saville/Liebman/Panitch 1988; Share 1988; Markovits/Pelinka 1988). In the following I wish to focus my description on a brief summary of the main factors which changed the "environment" for social democratic politics and policies since the mid-seventies.

- The Temporary "Blockage of Keynesian Coordination". The rapid internationalization of the world economy, the loss of "national sovereignty on interest rates" (Scharpf 1987) caused by the

expansion of "offshore" dollar markets and the tight monetary policy of the most important central banks, the rising public debts and real interest rates in the United States and the Western world led to considerable problems for the "Keynesianism in one country", at least during the first half of the 1980's. Moreover, the increasing decoupling of economic growth and job growth has disenchanted global Keynesian demand management as the ideal strategy to achieve specific social democratic goals such as full employment. For many observers, social democracy seemed to have lost, at least for the time being, its central economic tool which had permitted it throughout the post-war period to legitimize a program of social change, and pragmatism to simultaneously reform and stabilize the capitalist system simultaneously (Vobruba 1983: 136). The Keynesian Welfare State as a "peace formula" (Offe 1984: 14) and "social democratic solution" to the tensions between democracy and capitalism seemed to become a problem on its own.

- Socio-structural Change. Technological progress has been accelerating the shift from industrial employment to service sector jobs. With the numerical decline of blue collar workers, the traditional constituency of social democratic parties has been shrinking continuously since the beginning of the seventies. Simultaneously, a rapid differentiation among the blue collar workers has taken place. The emergence of employed and unemployed, full time and part-time, core and peripheral, public

and private sector workers has at the same time led to an increasing differentiation of "working class interests". The organization and electoral alignment of the workers as the traditional core constituency has become much more complex and difficult for social democratic parties.

Moreover, in times of slow, problematic and job-less growth, parts of the middle-strata began to perceive the distribution of economic welfare and the individual "life-chances" more and more as a zero-sum game. This, combined with the internal differentiation of the blue collar workers, posed new demands to the catch-all capacity of the social democratic parties.

- The Rise of New Social Demands. During the seventies, the quest for postmaterial values and goods have been continuously increasing particularly in the most advanced welfare states of Western Europe. The demand for autonomy, participation, women's emancipation, and the preservation of the natural environment challenged the one-dimensional growth-cum-redistribution model. Social democratic parties have been confronted with the need to synthesize "ecology" and "economy" in a coherent strategy of politics and policies.

- The Problem of Social and Political Alliances. On the one hand the rise of left-libertarian and postmaterialist demands since the seventies, and on the other hand the decline of egalitarian

values among considerable segments of the middle classes throughout the 1980's have created a strategic dilemma for the social democratic parties in the arena of social and political coalitions. Many of the liberal parties in Western Europe during the 1980s have become the neoliberal agents of the "new materialism" of the "Yuppie culture". Social democracy often lost an actual or potential coalition partner on its right side, while almost simultaneously, with the new ecological and left-libertarian parties, a new competitor emerged on the left side. Social democracy has been confronted with a neoliberal right which criticizes the welfare state, and state intervention in the economy, and with the left-libertarian ecological parties which challenge the social democratic orientation towards economic growth, centralization, and state bureaucracy. Due to their often "organic" relationship to the trade unions, social democratic parties had for some time considerable difficulties to articulate and represent the "new postmaterialist" and "new materialist" demands or to form political coalitions with one of their political agents. In each of these cases, social democracy is still running the risk eroding electoral substance among its working class constituencies.

- The End of Intellectual Ascendancy. All of the above mentioned changes have combined to undermine the ability of social democracy in shaping the political discourse of reformism, progress and modernity. At the end of the 1970's, "the

intellectual ascendancy of Social Democracy came to an end" (Paterson/ Thomas 1986: 13) at least in some West European countries. The neoliberal market orientation and individualism on the one hand and ecologism on the other dominated the arena of public discourse. Many social democratic parties lost their "long-held monopolistic positions as the sole guardians of their respective countries' reform spaces" (Markovits/ Pelinka 1988:28).

2. Hypotheses on the Decline of Social Democracy

Considering all these developments as if they occurred simultaneously and independently from specific national contexts, political and social scientists, liberals, marxists and the new left simply subsumed them under a generally valid crisis theory. Value judgements and judgements of facts were confused, and empirical analyses of political scientists fell victim to ideologies or sophisticated general theories. As if a mysterious "invisible hand" conducted this Babel of voices, they seem to sound like a harmonious choir. With a powerful voice, they spread the message of "crisis", "decline" and "end", of social democracy.

- The (neo)liberal voice. Not very cautious in its prophecies, the neoliberal voice predicts nothing less than "the end of the social democratic century" (Dahrendorf 1980). The main argument

is that with the establishment of the welfare state social democracy has already fulfilled its historical task. However, in having done so, it has overburdened the economy, weakened the self-regulative forces of the free market and the meritocratic incentives of the citizens (Crozier et al. 1975). The social democrats overestimated the role the state can play in steering the economy and society. They have underestimated the paralyzing forces which "hypertrophic" state activities can have upon economic dynamics and welfare. Big government" does not solve economic and social problems, it creates them. It crowds out resources from the market system, while the overdevelopment of the welfare state passivates people as economic actors in the market system (Rose 1980; OECD 1985). In sum, a too extensive state regulation disturbs the vital forces of the market system. The voices of 'neoconservatives' (Crozier et al), 'supply siders'(Laffer), 'monetarists' (Friedman), 'fiscal conservatives' (Hayek), or rational expectationists'(Buchanan) commonly argue, that everybody would be better off if the state withdrew from the economy and the investors were no longer restrained in their decisions by such disturbing interventionist or distributional regimes of the state.

- The (paleo)marxist voice: Whereas the liberal and neoconservative voice criticizes the "overstretching of the welfare state" and laments about "too much state", the orthodox marxists complain about "too much market" in the "social

democratic state". The "collapse of Keynesiansim" and the breakdown of corporatism since the economic crisis of the 1970's have exhausted the limits of social democracy's reformist and electoral possibilities (Panitch 1986: 52). What has remained of its former self is "a ghost, a form of nostalgia. A nostalgia, ridiculous and poignant for something which once existed and will never exist again" (Liebman 1986: 21/2). Having rejected the road to socialism, the social democrats fell victim to their own attempt to administer capitalism more socially.

- The voice of rational choice: Social democracy as a "historical phenomenon" (Przeworski 1985: 7) has not simply failed due to deviations from a supposedly "correct line" or the betrayal of its leaders. It has rather been doomed to fail due to rational strategic choices the leaders were forced to make facing the specific "dilemma of electoral socialism" (Przeworski/Sprague 1986: 55). When it appeared that workers never become a numerical majority in any society, it became clear that the mandate for the social democratic project - the emancipation of the workers - could not be obtained from workers alone. Leaders of social democratic/ socialist parties must seek support elsewhere in society, i.e. they have to continuously decide "whether or not to seek electoral success at the cost, or at least at the risk, of diluting class lines and cosequently diminishing the salience of class as a motive for the political behavior of workers themselves" (ibid.: 3). Here the dilemma

appears. To be electorally successful, social democratic parties cannot appeal to workers alone they have to assume a "supraclass posture". In so doing they dilute their capacity to win workers as a class. Therefore, social democratic and socialist leaders are confronted with a persistent trade-off dilemma. They are condemned to minority status when they pursue "pure class-only strategies", and they lose votes among the working class when they follow "supraclass" electoral strategies appealing also to the middle stratas. "They seem unable to win either way" (ibid. 56) is the quintessence of the electoral dilemma of democratic socialism (Ibid. 3; 55/56; 58; Przeworski 1985: 104 pp; Przeworski 1989: 63).

Moreover, postindustrial changes accelerate the "secular decline" of social democracy, since the shrinking of the working class reduces their "carrying capacity", i.e. gaining a maximum of allies while only losing a minimum of working class support (Przeworski/ Sprague 1986: 88). "Not only does the working class base shrink but, with fewer workers among their voters, parties are less willing and able to dedicate their efforts to the conquest of other groups" (Przeworski/ Sprague 1986: 83/4). But if they do so, they become victims of an electoral trade-off: the more allies they win among the middle stratas, the more workers they will lose. However, the steepness of the trade-offs, i.e. the "opportunity costs", covary with the strength of the unions, the existence of neo-corporatist institutions and communist

party competition for the working class vote. But these factors matter only temporarily, they do not alter the fundamental logic of the "iron" trade-off. Consequently, Przeworski and Sprague conclude: "Thus the era of electoral socialism may be over" (ibid. 185).

Although Przeworski's and Sprague's analyses are far from Dahrendorf's essayistic gesture and much more sophisticated than the ritual marxist complaints about social democratic "reformism", "revisionism" and "opportunism", they come to the very same conclusion: the decline of social democracy is inevitable. Hence, a peculiar paradox can be detected in Przeworski's and Sprague's explanation. On the one hand, there is the epistemological elegance of the choice centred perspective of methodological individualism, on the other hand, the rational choice approach does not protect Przeworski and Sprague (1986) from ultimately falling victim to a rather crude sociological determinism. Although the authors concede that electoral strategies and specific policies may make a short term difference, they state that in the long run the fate of electoral socialism is determined by industrial change and a supposedly iron electoral dilemma. "Ultimately, it probably mattered relatively little whether socialist leaders did everything they could to win the elections. Their choices were limited (ibid. 1986: 126)". The authors own concession that "parties mould 'public opinion'", "evoke collective identification, instill

political commitments" (ibid.: 125/6) remains without consequences for the final conclusion.

Both the paradigm of methodological individualism and socio-structural determinism tend to neglect varying political institutions, socioeconomic contexts and cycles as nationally differing "opportunity structures" for political choices. The fusing of rational choice and socio-structural determinism accounts for the inherent tendency to jump to summary predictions. Furthermore it cannot sufficiently explain the diverging political strategies and policies of social democratic and socialist parties. It can neither illuminate the reasons of the electoral successes of the socialist parties in Southern Europe during the 1980's, nor sufficiently explain the stability and electoral recovery of Scandinavian social democracy during the last decade. It remains silent about the popularity and (electoral) success of rather traditional social democratic welfare policies in Scandinavia and the "liberalization" of some Southern European socialist parties.

2. Pledge for an Eclectic and Open Approach

Neither the ideological (neoliberal, marxist) nor the theoretical (rational choice) assumptions of the three "voices" are sufficient and appropriate to justify their prophetic predictions and deterministic conclusions. Each of the three approaches

illuminates only small segments of reality, but in postulating these as absolute, they go on to claim to deliver comprehensive explanations for the diagnosed "decline" and "end" of Social Democracy".

The common weakness of these analyses is their static perception of social democracy as a political actor. On the one hand they provide a detailed and pervasive analysis of the dynamic change of the economic, social and political environment since the mid-seventies. On the other hand they consider the social democratic parties simply as passive victims of a changing world, thereby neglecting their "revisionist" capacity to reassess values, strategies, and policies in the light of these changes so as to reshape the conditions for their political survival and success.

Thus, an approach appropriate to analyze the politics and policies of the social democratic and the socialist parties has to consider both actors (i.e. socialist parties) and output (i.e. policies) as dynamic and interdependent. It has to avoid the fallacies of a priori exclusions of possibly relevant independent variables, be it motivated by ideology or the intellectual esthetics of theoretical monism. An approach which is open enough to allow for this contingency and the inclusion of a multiple set of "explaining" (independent) variables has been presented by Goesta Esping-Andersen in his book "Politics Against Markets" (1985). He argues that social democratic parties are not

simply doomed to socio-structural change, but have choices which have a decisive impact on their success or failure in the future. Specific adjustments of their policies to the changed "environment", goes his principal argument, can help to create and strengthen the alliance between blue collar workers and white middle strata, which could be a possibly winning social coalition. State policies which modify the mechanism and outcomes of the market are still at the core of these adjustments (Esping-Andersen 1985: 34/35 pp). Important for our conceptual framework is not so much the concrete content of the proposed reforms, since they are designed especially for the Scandinavian context, but rather Esping-Andersen principal argument that social democratic parties are actors which have the chance to adapt to changing circumstances and can successfully face new challenges by appropriate policies. However, in bringing politics back in against sociological and methodological reductionism, Esping-Andersens approach tends to underestimate the internal and external constraints with which politics and policy making are confronted.

Linking politics and policies more closely to the varying opportunity structures seems to be particularly imperative for comparative analyses which include a more heterogenous sample of national "cases" such as Esping-Andersens comparison of Denmark, Norway and Sweden. This applies especially for the following analysis which has to deal with such different economic, social

and political "environments" which the traditional social democratic governments of the Nordic countries and the young socialist governments in Southern Europe had to cope with during the 1980s.

3. What Is to be Explained?

Against the background of these considerations, we intend to investigate the question of the supposed "decline" of social democracy at the level of economic and social policies. Here only actual policies and not party programs will be compared¹. This implies a specific selection of cases to be analyzed. With the exception of the Austrian socialists, the social democratic parties of "Central Europe" (West Germany, Belgium, Netherlands) will be excluded from the comparison², as well as the Danish social democrats and the Labour Parties of

1 Programs of political parties in opposition and policies of parties in government fulfill different functions, face different constraints, and follow different logics. Considering this principal difference a synchronic comparison between, let us say a Spanish socialist party in power and the British Labour Party in opposition becomes meaningless.

2 Although the Swiss social democrats stayed in government during the 1980's due to their consociational political system, they will be excluded from the comparisons too. The system of the Konkordanzdemokratie and the minor role the SPS plays within the government makes it extremely difficult to attribute certain policies to the social democrats.

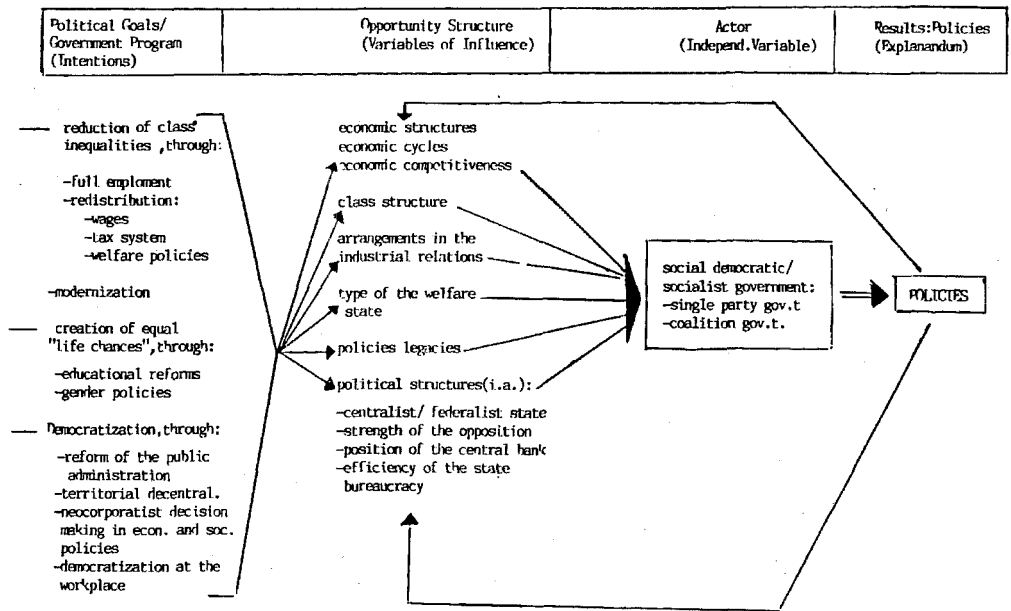
Great Britain and Ireland. This group can be called the "losers" of the post-golden-age (at least of the 1980s). The Portuguese and Italian Socialists cannot be taken into consideration either, because the first governed only for two years (1983-1985) in a "grand coalition" during the 1980s and the latter, although it has remained throughout the 1980s in power, has always been the junior partner in a five party coalition. Therefore, it is impossible to attribute specific policies or the governments performance as a whole to the PSP or PSI.

According to these methodological considerations, only the policies of the "strong", that is electorally successful parties can be meaningfully compared. Thus only the dominant governing socialist/ social democratic parties during the 1980s remain: the Swedish, Norwegian, Finnish and Austrian social democrats, as well as the socialists of France, Greece and Spain. These parties can be distinguished in two groups with respect to the ideological criteria of the parties, the periods in which they came to power and could entrench their policies, institutions and values, as well as some similarities of the economic, social and political environments:

1. Established, dominant social democracy: Sweden (SAP), Norway (DNA), Austria (SPOE), Finland (SPF)³

³ To be sure at the electoral level, the Finnish social democrats can certainly not be described as dominant as the other three parties. Not in the least because the Communists played a more important role in the Finnish left and the country as a whole. The fact that the SDP has

SCHEME 1: General Explanatory Scheme for Economic and Social Policies of Social Democratic/ Socialist Governments in Western Europe



2. New, dominant socialist parties: Spain (PSOE), Greece (PASOK), France (PS).

The general point of departure (independent variable) which allows meaningful comparisons of these governing parties is that they all started into the 1980s with government programs which can be called "social democratic", despite all gradual national differences. The explanandum is: what are the causal factors for the divergence or convergence of the actual policies those governments have pursued, that is to say, what is in the "black box" which separates the declared intentions from the actual outcomes.

More specifically it will be asked:

- Has a significant shift occurred from state to market in social democratic policies?
- Have the modes and goals of state interventions changed?
- How can one explain the different choices of the established social democratic and the young socialist governments in regard to their preferences for free market, neocorporatist arrangements and the state?
- How did the different choices affect the policy outcome, the

mostly been the strongest party in the Finish multi-party system throughout the postwar period (exceptions 1954, 1958, 1962) and their high "power quotient" highlight the persistent important position in postwar Finish politics.

economic performance in general, and the "social democratic" performance in particular?

- Finally, how valid are the general decline-hypotheses for explaining the development of social democratic parties and policies during the 1980s?

To answer these questions, three key policies of social democratic and socialist governments are taken into consideration:

- nationalization and privatization (owning state)
- macroeconomic policy (interventionist state)
- welfare policy in general (welfare state).

4. A Decline of Social Democratic Policies During the 1980s?

Considering the logic of the neo-liberal/ neoconservative paradigm of the overburdened economy and the hypertrophic state activities of social democratic welfare regimes, one could expect the most rapid erosion in those countries where the "sclerosis" through statist regulations has progressed the most: that is to say, in the Nordic countries, and with minor reservations also in Austria.

Marxists would expect that the more class oriented labour movements in France, Spain and Greece (strong communist unions, relevant communist parties, more radical socialist parties) could press for more progressive social reforms than the

"collaborative" social democratic parties and unions in Sweden, Norway, Finland and Austria. The rational choice plus socio structural approach is more indifferent regarding the North-South comparison. In the long run, no social democratic and socialist party can escape the assumed "electoral dilemma" of needing support from the workers and middle classes simultaneously. In the short run one would expect that in the unionized, neocorporatist countries, the social democratic leaders would rationally chose policies which are designed to meet more the needs of the middle classes, because the partially "institutionalized" loyalty of the workers diminishes the probability of electoral "exit". However the reality is much more complex and contradictory, and it largely falsifies the one dimensional "decline hypotheses".

4.1. The Resilience of Established Social Democracy

If one disentangles the (Keynesian) welfare state into its two fundamental levels, the state intervention in the sense of macroeconomic steering and policy regulation on the one hand, and the welfare commitment to provide collective goods and monetary transfers on the other (Schmitter 1988: 503), one can draw the following conclusions. The three Nordic countries represent a rather homogeneous sample in the 1980s, despite some gradual differences regarding the standards of social welfare. Neither has a retreat from the commitment to universalistic social

welfare taken place there, nor has a breakdown or a substantial erosion of neocorporatist arrangements occurred. Even with respect to macroeconomic policies, the state still plays an important role. What changed in the course of the 1980s was not the involvement of the state in steering the economy as such, but the mode and direction of the state interventions. Particularly in Sweden (after 1982) and Norway (after 1986) the state interventions shifted visibly in favor of the supply side, stimulating investments by specifically designed tax reliefs and subsidies. Since the Finnish government turned its policies cautiously towards a more demand oriented economic management, all three Nordic countries have been pursuing a fairly balanced mixture of supply and demand oriented policies. From this perspective Sweden, Norway and Finland should be called "interventionist social welfare states" in the 1980s, in order to differentiate them from the 1970s type of Keynesian welfare state.

However, the "end of the Keynesian Coordination" turned out to be not as definite as some economists and political scientists suggested at the end of the 1970s. The Finnish example and specific elements in Swedens economic policies at the end of the 1980s indicate that there is again some room for selective Keynesian manoeuvres. Yet, in the longer run, the partial deregulation of the financial markets could pose some restraints upon controlling the exchange rate in the future. Devaluations as

a macroeconomic instrument of the national state for restoring economic competitiveness can no longer be used as flexibly as in the past. The liberalization of the credit markets could particularly reduce the future capacity of the Norwegian state to direct the domestic economy, since the nationalized credit sector played a crucial role in the past social democratic policies ("credit socialism"). Combined with the fact that the continuous flow of the considerable oil revenues has concealed the relative loss of competitiveness in the manufacturing industry during the last decade, the future of the Norwegian social democratic state could become more contingent. The enforced restructuring of the industrial sector stimulated by the current social democratic government of Gro Harlem Brundtland has shifted the economic policies towards a stronger supply side orientation. However until now, this restructuring period was neither accompanied by the retreat of the state from intervening into the economy nor was it paralleled by a relative decline of wages and social welfare.

The fact that exactly the so-called "social democratic models" of Sweden and, with some reservations, of Norway have demonstrated a considerable amount of resilience and continuity concerning political goals, strategies, and achievements throws a shadow on the general thesis of social democratic decline. The shadow becomes even darker if one takes into consideration the fact the three Nordic countries have displayed comparatively

formidable economic performances. Their policies of maintaining or extending the welfare state and keeping unemployment low neither undermined economic growth nor impeded productivity increases, at least compared with the OECD-average. On the contrary, welfare and tax policies have been coordinated to enhance both economic growth and social equality. The high level of income tax and tax reliefs for reinvestments contributed to the high rate of capital accumulation. A considerable part of the nominal wage increases was taxed away by the progressive income tax and transformed into financial surplus of the public sector, in order to support productive investments of the corporate sector and to finance social welfare (Steinmo 1988: 426/ 7; Kosonen 1989). The tax system did not favour simply corporate profits, but specifically investments in the most productive enterprises. The Finnish move towards these policies (Pekkarinen 1989) also underlines the argument that neither the welfare state nor its most comprehensive (social democratic) version, the "welfare-interventionist state" (or Keynesian Welfare state) is condemned to perish by virtue of its supposedly "inherent" contradictions.

This does not imply that Scandinavian social democracy has not changed. However, the incremental changes on the level of macroeconomic management did not alter their fundamental politics and policies during the 1980's. In particular, these changes did not diminish the social welfare commitments of the three social

democratic parties to provide collective goods and transfer payments on a high level and universalistic base. Moreover, the fact that the Swedish social democrats in 1985 and 1988, and the Norwegian Labor Party in 1985, won the elections with rather traditional welfare campaigns points to the maintenance or resurgence of social democratic values and policies in these countries.

Austria's social democrats are the deviant case in the group of "established social democracies". The present obsolescence of "Austrokeynesianism" and the privatization and "marketization" of the nationalized sector has already shown some negative consequences for the goals of full employment and social equality (Mueller 1988; Pelinka, P. 1988). The SPOE has not yet found functional equivalences for the important role that both Austrokeynesianism and the nationalized industries, played in its social democratic concept (Winckler 1988). Since the Austrian social democrats have to govern with the conservative Austrian People Party (OeVP) since 1986 the temptation to look for a "market solution" could be strong. However, even in the case of Austria, it has to be seen whether the current trend to more market, less state and less social equality is irresistible or whether a new turn will occur once the business cycle turns upward, the industrial restructuring is successfully completed, and the present decline of the OeVP continues.

4.2. The Failure to Establish Social Democratic Policies in Southern Europe

The "Southern group" is more heterogeneous. True, all three socialist parties entered government at the beginning of the 1980s with radical (PS, PASOK) (Criddle/ Bell 1988; Lyrintzis 1983; Spourdakis 1988) or moderate (PSOE) (Maravall 1985; Santessmasses 1985; Merkel 1989) social democratic programs. But, when in power, the differences between the socialist governments in France, Greece and Spain became more pronounced. Neither the Parti Socialiste, nor PASOK or the Spanish socialists tried to establish the "ideal" social democratic steering mix of state-market-neocorporatism. Each socialist government followed its own bias.

The state interventions of the PASOK government into economy and society did not decrease during their eight years in power, yet after 1985 these interventions have scarcely been linked to leftist or progressive goals. They have followed a traditional Greek set of paternalistic and clientelistic practices. The French socialists also relied heavily on the state particularly in the first phase of the Mauroy government. But their statist approach from above prevented them from fully recognizing the importance of the active involvement of "social partners" in the planning and implementation of their reform policies; an oversight that led Mark Kesselman (1982) to call the "Mitterrand

experiment" a "socialism without workers". Moreover, the technocratic preferences induced the PS to underestimate the external constraints upon managing a medium sized open economy within the internationalized capitalist world economy. The conclusions which the Parti Socialiste has drawn after its first term in power can best be seen in the moderate social democratic government of Rocard, who gives the market an absolute priority for the allocation of economic resources, but uses the fiscal state for the cautious improvement of social welfare. Without proposing the re-nationalization of the industries privatized by the Chirac government, the PS gives priority to selective industrial interventions, even after 1988. Its continuing commitment to more social justice is demonstrated in the measures of the Rocard government to increase minimum social benefits, and to improve education for the underprivileged, while implementing a wealth tax for the rich.

The Spanish socialist government, however, has been from the beginning very much aware of the external and internal economic constraints, particularly in the perspective of the EEC membership and the creation of the single European market in 1992. This attitude led them at times to an uncritical emphasis on the market and a lack of willingness to use the existing space for state interventions, in order to steer the economy and society along the lines of more social equality. The attempt to instrumentalize the "socioeconomic pacts" unilaterally in favor

of the investors underlines PSOE's market-bias.

5. The Established Social Democracy and Southern European
Socialism: What Makes Them Different?

How is one to explain these divergent developments? More specifically how is one to explain the stability of established social democratic policy in Sweden and (with some reservations) in Norway, the "social democratization" of Finnish policies throughout the 1980s on the one hand, and Austria's beginning departure from the social democratic past in Austria on the other hand? What about the failure of the socialist parties in Southern Europe to implement progressive-reformist policies in their countries? In short, why is there still a dominance of social democratic policies in the Nordic countries and no socialism in Southern Europe? Przeworski's and Sprague's socio-structural hypothesis can scarcely contribute an answer to these questions. As far as the three Nordic countries are concerned, neither the social democratic parties as dominant political actors, nor the contents of their policies, indicate social democracy's irreversible decline. The actual shrinking of the blue-collar workers and the progressing differentiation of the workers did not simply develop into electoral losses for social democratic parties or a shift away from social democratic policies. Przeworski's/ Sprague's "iron law" - that 'the more allies social democratic parties win among the middle strata, the

Tab 2. Economic, Social, Institutional and Political Conditions

for Government Policies during the 1980s

	Economic Competitiveness	Industrial Relations	Type of Welfare State	Power Quotient*		Single Party gov.t/ coalition gov.t	Fragmentation of the Opposit.	Relevance of the Leftist opposit.
				45-88	80-88			
Austria	medium	high centraliz./ neocorporatist	bourgeoise	2.5	3.1	-single party gov.t -coalition gov.t 1	medium	irrelevant
Finland	medium	high centraliz./ neocorporatist	bourgeoise/ universalistic	1.8	1.9	coalition gov.ts 2	high	high
Norway	medium	high centraliz./ neocorporatist	universalistic	3.0	2.0	single party gov.t 3	high	low
Sweden	high	high centraliz./ neocorporatist	universalistic	3.5	2.1	single party gov.t 4	high	low/ medium
France	medium	low centraliz./ conflictual	bourgeoise	1.0	2.1	-coalition gov.t 5 -single party gov.t	medium	medium
Greece	low	low centraliz./ paternalistic/ conflictual	marginal	0.7	3.2	single party gov.t	medium	medium
Spain	low/medium	medium centraliz./ cooperative - 1986/ 1986 - conflictual	marginal	0.6	2.8	single party gov.t	high	low

1 1970-1983: single party gov.t; 1983-1986: small coalition;
1986 - : grand coalition.

2 1980-1987: small coalitions; 1987 - : grand coalition;

3 minority governments

4 minority cabinets with parliamentary support of the
Communist Party, and to a minor degree of the Center
party and the Millieu Partiet.

5 1981-1984: coalition with Communist Party; 1984-1986: single
party gov.t with parliamentary majority; 1986 - : minority
cabinet.

* Power Quotient: given points divided by years in government
Points: - exclusively social democratic governments:
4 points for each year in government

- social democrats as dominant coalition partner:
3 points for each year in government

- social democrats as equal partners in a grand
coalition: 2 points for each year in government

- social democrats as junior partners in a small
coalition: 1 point for each year in government

more workers they will lose'—, was broken by the influence of organizations, institutions, cultural values, policy legacies, economic performance and the competitive situation in the party system. That is to say, actors and structures functioned as intervening variables in a process in which ultimately they were not supposed to appear.

Given these concrete structures, values, and actors which co-determine the fate of social democratic parties, a more contingent and open scheme has considerable explanatory advantages vis-a-vis deterministic iron laws, derived from one, supposedly unavoidable, electoral dilemma. The configurative framework we apply here in the comparative analysis of "North" and "South" contains three set of variables: economic factors (summarized in the complex indicator of economic competitiveness), societal factors (the role of the middle strata, type of industrial relations and the type of the welfare state) and factors of political power (the power quotient, the type of governing coalition, the fragmentation of the opposition, and the relevance of the leftist opposition).

1. Economic competitiveness: The medium- high economic competitiveness⁴ in Sweden and Finland, the successful adaptation

4 In small and medium size open economies "economic competitiveness" is to be understood as follows: the relative unit labor costs (cost side) and the export market share of crucial products, resp. the degree of penetrability of the domestic market, for

to the new conditions of the international economy, and the good economic performance during the 1980s set the base for the maintenance, resp. extension of social welfare. The delayed economic restructuring in Norway, and, particularly pronounced in Austria, caused comparative decline of competitiveness in their economies. This has posed some problems for the goals of full employment and redistribution of their social democratic parties in the second half of the 1980s.

All three Southern European socialist governments had and have to cope with the legacy of a highly (Greece, Spain) and relative (France, in particular vis-a-vis the three dominant world economies USA, Japan, West Germany) uncompetitive economy. The imperative to modernize their economies left little room for distributional manoeuvres and social welfare. Therefore, throughout the 1980s all three socialist governments have been more constrained by the international economic environment, than their "sister governments" in Northern Europe. The fact that Austria and the Nordic countries do not belong to the EC and have, therefore, enjoyed a greater "autonomous" room for manoeuvre in managing the national economy can be interpreted as a comparative advantage vis-a-vis the Southern European EC members. Yet, the balance sheet for Greece and Spain is by no means totally negative. At least in the medium run, the EC turned out to be beneficial for the Greek (esp. net foreign goods and services (output)).

transfers) and the Spanish (esp. capital inflow) economy in easing regional economic disparities, pushing economic growth and pressing for modernization. However, the EMS membership of France clearly restricted the choices of the French exchange rate policies in 1982 and 1983. But at that time the possibilities for the Mauroy government using the currency policy so as to avoid austerity measures were already considerably limited by pure economic reasons.

2. The role of the middle strata. Similar to their Northern European sister parties, the Southern European socialists need the votes of large segments of the middle strata in order to gain electoral majorities, but in contrast to the economically and socially more advanced welfare states of Northern Europe, the middle classes in Southern Europe are to a much lesser degree dependent on the employment opportunities and provisions of the welfare state, simply because it is much lesser developed there. An universalistic welfare program plus economic democracy would not have much appeal to the new rising middle classes, who are more interested in immediate private consumption, than collective welfare provision for the future. Furthermore, under the economic conditions of the first half of the 1980s, the middle strata realistically perceived the creation of a strong tax and welfare state as an zero-sum game where they would have to contribute more than they could win in the short and medium run. In addition to the already mentioned "external" factors, this led the

socialist governments to meet the challenge of productivity, even at the expense of traditional social democratic goals. This is particularly evident for the PSOE government, but to a minor degree also valid for the French socialists after 1983, and PASOK after 1985.

3. Industrial Relations. The leadership of the highly centralized and organized trade unions of all four countries of "established social democracy" can still "convince" their membership that concerted wage bargaining works out to the advantage of all. The return of the Swedish unions and the employer association SAF to centralized wage settlements in 1988 is only one indicator that erosions of institutions and arrangements have not been irresistible, but can be reversed as well. The still close cooperation between the unions and the social democratic party in government has enabled a coordinated economic strategy. Hence, in times of economic restructuring, a more equal distribution of the social costs has been achieved than in most of the other OECD countries.

Despite some differences among the three Southern European countries, the industrial relations in France, Greece and Spain are much more decentralized, fragmented, and conflictual than in the North. A concerted economic strategy was impossible, with the temporary exception of Spain. Not in the least because neither PS, nor PASOK or PSOE have the same "organic" relationship with the trade unions as their established sister parties in Northern

Europe. Neither are they the exclusive agents of organized labor, nor is organized labor in Southern Europe as strong, united, and representative as it is in Northern Europe. In this sense, the Southern European socialist governments "enjoyed" a greater degree of "relative autonomy" (Cameron 1988) from the interests of the workers, than the social democratic governments of Sweden, Norway, Finland and Austria. This autonomy has been enhanced by the fact that the socialist parties of Greece, France, and even Spain draw a smaller part of electoral support from the working class, than do their sister parties in the North.

4. Type of the Welfare State. The policy legacy of an extended welfare state as provider of social welfare and as an employer in a considerable part of the work force is an important factor for the electoral success of social democratic parties in the three Nordic countries, since the social democratic parties are most closely associated with the maintenance of such a welfare state. The Swedish model of the welfare state (and with minor reservation of Norway and Finland too) with its high standards satisfies not only the needs of the lower income stratas, but also of the middle class clientele. Its "productivistic social policy" (Esping-Andersen 1988: 3) towards employment, training, job mobility, education, and family services may be prima facie very expensive. However it lowers the costs for "unproductive expenditures" in times of economic recession, since its capacity to provide employment increases the number of tax payers where

"passive-compensating" welfare states reduce them. The fact that the welfare systems in Sweden, Norway, and Finland are not primarily based on monetary transfers, but also provide a wide set of public goods and services renders the position of the state as an employer important for many voters while reducing neoconservative and neoliberal attacks on social democratic welfare policies. Interrelated with this concept of the social welfare state, and the deep and long lasting entrenchment of social democracy in state and society is the high rank of full employment in the hierarchy of societal values, particularly among the Swedish population. Policy proposals which do not give priority to this issue tend to be electorally "punished" in Sweden and Norway. In having succeeded to maintain a broad consensus for this universalistic type of welfare state, the social democrats have established an important cornerstone for the reproduction of their own political power (Korpi 1983; Esping-Andersen 1985; 1988).

The institutions of and social demands for the welfare state in Greece, Spain and even in France are much less developed. The "marginal" (Greece, Spain) and the "continental, strongly insurance based" welfare state in France are only of minor importance as employers. The standards of the social services are too low to be attractive to the middle strata, who are anyway often not eligible for them. When the economic circumstances of the early 1980s apparently demanded a choice between productivity

and redistribution, that is to say, the construction (Greece, Spain) and extension (France) of a welfare state, the government could opt more unilaterally for productivity, without having to fear mass defections of voters. This was particularly significant in the Spanish case, but occurred with specific time lags and varying intensity also in France (1983/4) and Greece (1982; 1985).

5. Political Variables. Since the political variables, governmental power, fragmentation and weakness of the opposition parties, and relevance of the leftist opposition are rather similar in both country groups, or even favourable to the socialist parties of Southern Europe, it appears not too arbitrary to conclude that they have played only a minor role with respect to the divergent policies of the social democratic and socialist governments. This consideration is by no means based on a crude "economism", but rather stresses the accumulation of unfavorable economic and societal constraints on progressive reform policies particularly in Spain and to some extent also in Greece, where the political elites paid more attention to political questions than to the modernization of the economy in the transition to and consolidation of democracy (Giner 1984; Perez-Diaz 1987; Pridham 1987).

Certainly, the most important factor for the policy differences

between the "established social democracy" of the North and the "new socialist hegemons" (Kitschelt 1988) of the South can be seen to be in the different periods Northern Europe's social democrats and Southern Europe's socialists came to power. PS, PÁSOK, and PSOE entered government at the beginning of the 1980s, when the external economic constraints and the state of the domestic economy (policy legacy in Spain and Greece) did not allow for much more than the modernization and restructuring of economy, state, and society. Modernizations which had taken place in Northern Europe some decades ago. The "social difference" between the modernization policy of the Southern European socialists and the redistribution policies of the social democrats during the Fifties, Sixties and (even!) Seventies and eighties is essentially due to the different "moments of opportunity" during which the parties could entrench themselves and their political goals in their domestic socio-political systems. In periods of stagnating or difficult economic growth, and without a macroeconomic strategy which ensures production and redistribution simultaneously, the lacking competitiveness of their open economies did not allow for a genuine "leftist" alternative to the actual policy formation of a temporary preference of production vis-a-vis redistribution. From this perspective, the socialist governments of Southern Europe followed the logic of national competitiveness on domestic and export markets; a logic which cannot be disregarded even by leftist reform oriented parties. Regarding Southern Europe, one can argue that the absence of all those organizational,

institutional, and "timing" factors, which ensured the maintenance and resurgence of social democracy in the three Nordic countries, has essentially been the cause for the failures of leftist-reformist policies in Southern Europe until now. However, this does not imply, that the progressive goals of the socialist governments in France, Spain and Greece simply fell victims to the unfavourable economic, social, and institutional environment. They also failed because of ill-designed policies and the absence of political reforms which have both not been very conducive to turn the unfavourable environment into a more favourable one. The neglect of a tax reform which ensures simultaneously the accumulation of private capital, high investment rates and the fiscal resources for social welfare, and the default to stimulate more cooperative relations between state, capital, and labour are certainly among the most serious failures in this regard.

Nationalization did not matter: at least not in the sense of being conducive to achieving the social democratic goals of a more egalitarian society with universalistic social welfare, full employment and new forms of work organizations or economic democracy. The French leftist government was not able and/ or not willing to use the extended nationalized sector for these social and democratic goals. Nationalization under Mitterand remained basically an act of symbolic politics. The Greek socialists succumbed to the temptation to use the nationalized sector for

clientelistic purposes and statist-authoritarian measures concerning the regulation of strikes. The Austrian social democrats utilized the nationalized sector too long and too extensively to hide redundant work force. When they had to restructure the nationalized industries during the 1980s the state-owned firms lost their defensive employment function. The whole concept of Austrokeynesianism became particularly vulnerable since the SPÖ had failed to develop functional equivalences for the macroeconomic functions of the nationalized sector in time. However, the example of Norway demonstrates that an all-inclusive negative judgement of the experiences with extended nationalized sectors runs the risk of an undue generalization. Norway's Labour Party succeeded in using the largely nationalized credit sector ("credit socialism") in order to steer the economy and society more along the lines of their own social democratic criteria. And even Statoil, Norway's large state owned oil company brought in relatively more revenues to the government, than the private oil companies in Great Britain. But despite the single exceptions of Norway and Finland, the comparison of all seven cases indicates, that the "functional socialism" (Adler-Karlsson) of Sweden, with its small but efficient nationalized sector, turned out to be less vulnerable vis-a-vis the supply side imperatives of the 1980s, than those policy designs which tried to instrumentalize the nationalized sector as an important element of their macroeconomic management. These outcomes raise once more considerable doubts about the

rationale for nationalization as an essential element of progressive reformist policies in advanced industrial societies.

Conclusion

The transformation of Southern European Socialism has gone much further than the change of established social democracy in Northern Europe. However, the moderation of these once leftist-socialist parties on the way to, and finally in power, did not convert them automatically into social democratic parties. Whereas the Spanish socialists have undergone a liberal metamorphosis, PASOK has developed into a statist party with strong clientelistic elements. Only the French Socialist party has changed its policies towards a moderate social democratic direction, even if its party structure and the links to the trade unions remained untypical for traditional social democratic parties. However, the more competitive economy, the higher development of the welfare system, and the comparatively efficient state apparatus in France resulted in a more balanced combination of economic restructuring and social welfare than for example in Spain.

The divergent evolution of social democratic and socialist governments during the 1980s are empirical arguments against iron laws predicting the irresistible decline of the "historical phenomenon" (Przeworski 1985) social democracy. The resilience of

social democratic policies in Sweden, the "social democratization" of Finnish politics and policies, the return of social democracy in Norway, the departure from the social democratic past in Austria, the moderation of French socialism, the partial "neoliberalization" of the Spanish socialist government, and the clientelization of Greek socialism are too different, to subsume them under the one general hypothesis of social democracy's irreversible decline. Concerning the future of this historical phenomenon, there are reasons to also take reversible patterns into account in the sense of the ability of political parties to adapt to new circumstances in order to influence the conditions of their further existence and success. Therefore, it appears to be not implausible that, under conditions of successful economic restructuring, combined with an upswing in the business cycle, and corrections of administrative deficiencies in the welfare state, the social democratic project can find once again majorities in the electoral arena. At the very least, the continuing success of the Swedish social democrats and the stability of social democratic policies in Norway and Finland represent an empirical example of such plausibility.

Changes in social democratic and socialist policies have taken place during the 1980s. But the deradicalization of "Southern European Socialism" (Gallagher/ Williams 1989) did not mean the transformation into social democratic parties and policies, at

least not in the case of the PSOE and PASOK government. At the end of the 1980s only the French socialists pursued moderate social democratic policies (esp. under Rocard) without having changed into a typical social democratic party. The Austrian socialists remained a typical social democratic party, but have been moving successively away from social democratic economic and social policies. However, the minor changes of the Nordic social democratic policies in the 1970's and 1980's can neither be compared with the retreat from the concept of revolution during the first two decades of the century nor with the abandonment of the pursuit of socialism by parliamentary means in favor of the commitment to employment, efficiency, and social welfare after the second World War. The retreat of the social democratic governments from single modes of state interventions into the economy (the economic dimension) did not negatively affect the provision of social welfare (the social welfare dimension) in Northern Europe. It cannot be interpreted as a third change of fundamental social democratic paradigms in this century.

To take up the question again, has there been a decline of social democracy? Maybe, a marginal one. However, it has been neither general nor irresistible. The development has to be differentiated into parties and policies, between economic management and the provision of social welfare. National differences also have to be taken into account. There are too many cases of resilience and resurgence of social democratic

parties and policies, that is to say, too many exceptions for any "general thesis" to sustain.

Table 3: Evolution of Policies under Social Democratic and Socialist Governments during the "Golden Age and the 1980s

	Nationalization/ Privatization	Macroeconomic Policies	State Intervention into the Economy	Welfare Policy	Role of Neokorporatism	Labor Market/ Wage Policies	Growth of the Public Sector
<u>Sweden</u>				universalistic; high spending level		centralized wage settlement; soli- daristic wage po- licy; active labor market policy	rapid growth
"Golden Age"	small nationalized sector	demand management; fix exchange rate policy	strong indirect intervention		strong		
1980s	marginal, pragmatic privatisations	mix of supply side and demand manage- ment	strong indirect intervention	universalistic; high spending level	strong; temporary erosions	temporary decentral. trends; no deregula- tion; active LMP	slow growth/ stagnation
<u>Norway</u>				universalistic; medium/ high spending level		centralized wage settlement; active LMP	rapid growth
"Golden Age"	medium/ large na- tionalized sector	economic planning; state controlled credit policies; moderate demand management	strong direct intervention		strong		
1980s	minor privati- zations	austerity policy; industrial restruc- tering; liberaliza- tion of credit pol.	strong direct intervention with supply side elements	universalistic; medium/ high spending level	strong	centralized wage settlement; active LMP; no deregulation	slow growth; stagnation
<u>Finland</u>				means tested; medium spending level	weak/ medium	decentralized wage settlement; weak active LMP	medium growth
1980s	marginal pragmatic privatization	Keynesian counter- cyclical policies	medium indirect interventions	trend towards universalism; medium/high open.	strong	centralized wage settlement; medium active LMP	medium growth
<u>Austria</u>				means tested; medium spending level		centralized wage settlement; weak active LMP	medium growth
"Golden Age"	large nationalized sector	Austrokeynesianism	strong direct/ indir. intervent.		strong		
1980s	medium privatization	end of Austrokeyn.; restrictive moneta- ry/ fiscal policy	moderate trend towards more market	means tested; medium spending level	strong	centralized wage settlement;	stagnation

Table 3: Evolution of Policies under Social Democratic and Socialist Governments during the "Golden Age and the 1980s"

	Nationalization/ Privatization	Macroeconomic Policy	State Intervention into the Economy	Role of Neocorporatism	Wage Settlement/ Labor Market Policy	Growth of the Public Sector	Welfare Policy
France							
1970s: bourg. government	medium/ large nationalized sector	1975/6: Keynes. 1977-81: Austerity	medium/ strong	no	decentralized wage settlements; weak active LMP	medium	means tested; medium spending level
1981-1986:	large nationaliza- tions;	1981-83: redistribu- tive Keynes.; Austeri- ty; relance;	strong	minor attempts local level	decentralized wage settlements; weak active LMP	medium/strong	means tested; increased spending
1988-:	acceptance of the privatisations of Chirac's government	demand/ supply side mix	medium			stagnation	means tested; medium spending
Greece							
1974-1981: bourg. government	medium nationalized sector	demand/ supply side mix	medium	no	decentralized wage settlements; no active LMP	medium	means tested; low spending; exclusion of parts of the population
1981- 1989	minor nationalisa- tions; marginal privatisa- tions;	1981-1985: redistribu- tive Keynesianism 1985-1989: austerity;	strong	no	decentralized wage settlements; manda- tory incomes policy; weak active LMP	strong	means tested; increased spen- ding; inclusion of wider parts of the population
Spain							
1974-1981: bourg. government	medium/ large nationalized sector	demand/ supply side mix	medium	medium	decentralized and centralized wage settlements; no active LMP	medium	means tested; marginal spending
1982-1989:	medium privatisations	moderate restrictive monetary policy; moderate supply side orientation; "marke- tization" of the econ.	medium/ low	medium/ asyne- trical	centralized and decentralized wage settlements; weak active LMP	medium	means tested; moderate increase in spending

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