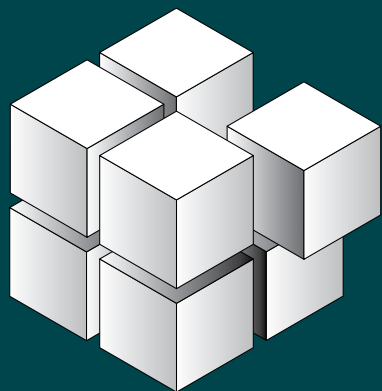


A CENTRE-LEFT PROJECT FOR NEW TIMES

CONFRONTING THE CHALLENGES
OF ELECTABILITY AND GOVERNANCE



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AND GOVERNANCE

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This work was authored and conceptualised by Olaf Cramme, Patrick Diamond, Roger Liddle and Michael McTernan of Policy Network, and by Frans Becker and René Cuperus of the Wiardi Beckman Stichting. Anita Hurrell, Alex Keynes and Luca Meister at Policy Network provided valuable research support.

The Amsterdam Process

The Amsterdam Process is a process of reflection and strategic thinking which aims to outline a new direction for centre-left thinking in Europe. Established by an 'avant-garde' group of European individuals and organisations, it derives its name from the famous Bethaniën monastery in Amsterdam's red light district, where in 2010 a thorough post-Third Way brainstorm began: repentance and brave forward thinking in one move.

Led by Policy Network, the international centre-left thinktank based in London, and the Wiardi Beckman Stichting, the thinktank for Dutch social democracy from The Hague, it is above all an international collective effort. In this context the continued and valued cooperation with the Foundation for European Progressive Studies (FEPS) and its Next Left research programme has been vital. The process has also benefited greatly from the input of serving ministers and politicians, senior experts and policymakers, and a host of academic commentators and political scientists who attended a series of working meetings across European capitals through-out 2010 and 2011.

Policy Network www.policy-network.net

Wiardi Beckman Stichting www.wbs.nl

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Policy Network is a leading thinktank and international political network based in London. We seek to promote strategic thinking on progressive solutions to the challenges of the 21st century, impacting upon policy debates in the UK, the rest of Europe and the wider world.

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The Amsterdam Process

Confronting the challenges of electability and governance

Social democracy has to find its way. The left believed the financial crisis would play into its hands. The opposite has proved to be the case. The political shift of focus onto debt and deficits and the size and efficiency of the state was electorally devastating for left-of-centre parties.

In recent times European voters have become increasingly sceptical about the dogmatic austerity and ill-suited remedies put forward by centre-right governments – but this again has not led to a significant surge in political support. Quite simply, voters do not believe that social democrats can deliver on their promises.

This might be unfair. But it is the reality – the left is caught-up in a credibility trap: there is both a perceived *and* real delivery deficit within key pillars of its political, social and economic offer. People want governments to protect them from the myriad insecurities created by globalisation and economic change, but they also want to be empowered with more choice and control in their lives, not centralised bureaucracy. The central dilemma is that the left appears to promise much to voters – yet too many electorates are no longer convinced that centre-left parties have the capacity to deliver on their promises.

In truth, this is a dilemma not just for the left but for liberal democracy as a whole – there is a crisis of faith in politics borne of the contest between the dynamics of the global economy and the struggle of national politicians to control and temper it. It is this often violent swing between unfounded hope and unrealistic expectation that undermines trust and faith in

governments and the political process. The crisis of politics hits the left hardest, because social democrats have always espoused collective action through public institutions rooted in representative democracy and the public interest.

The “Amsterdam Process” urges social democrats to recognise that this credibility gap and delivery deficit goes much deeper than political positioning and new rhetoric. Serious intellectual debate and ideas are required to address the exhausted form of western capitalist democracies. The premise is that social democracy needs a sharper more coherent political strategy which draws objectives, challenges, constraints and aspirations together.

This process of renewal is best approached by understanding the interplay and synergies between four overlapping strategic questions:

The first question on **governing values** refers to what social democrats believe: what does social democracy now stand for in a world of heightened complexity and lost ideological certainties?

The second question on the **policy challenges** relates to how social democrats define the imperatives confronting our societies: what are the core issues in the light of the most significant transformations in the nature of our economy, society and politics? How does the centre-left set its own political agenda?

The third question on **institutional and structural constraints** concerns the governance challenges that weaken policy delivery: how can these constraints be overcome while re-inspiring faith in democracy and politics?

The fourth question on **public attitudes and preferences** relates to how social democrats interpret changing public

views: what are the underlying values and ethics of European societies, and how far do those values go with the grain of progressive aspirations?

This is a four-legged stool which seeks to interpret doctrine and ideology for a new age of social democracy. Effective revisionism has to begin with values which are the basis of political activity and commitment. It must clearly face up to the challenges of our age. It must have the capacity to navigate the obstacles to effective governance. And it must be anchored in the hopes and aspirations of citizens. Political strategy is about drawing together and building on each of these strategic dimensions. Our approach, in turn, seeks to provide a distinctive guide to social democratic reform.

1. Governing values

Social democratic guiding principles

The core beliefs of social democratic parties provide an essential compass in negotiating an ever changing world. These work best not as grand abstract principles, but as ethical ideals and governing values that have purchase in the real world where there are inevitably hard choices and competing alternatives. Social democracy is concerned with understanding the injustices and challenges that people face while reshaping and altering the political landscape in order to address them. Its purpose must be to shift the centre of political gravity in a progressive direction.

There are five guiding principles to which we aspire in making our societies and Europe more socially democratic:

Social democracy stands for a market economy, not a market society

Markets are a good servant, but a bad master. The essential virtue of open markets is that they permit experiment and innovation. Their dynamic power generates wealth and choice for citizens that they would otherwise be denied, and market rewards can be redistributed for social ends. The market remains the most efficient mechanism for allocating goods and services where the alternatives are states or networks. The vice of markets is that they are prone to instability and crisis: they cannot be relied upon to be self correcting or deliver societally efficient, socially equitable or environmentally sustainable outcomes. They are not 'laws of nature' so should only operate under a set of socially and politically constructed rules. Left to their own devices they can lead to forms of monopoly, inefficiency and unaccountable corporate power, which are harmful to

democracy, prosperity and fairness. Social democracy's task is to ensure they are properly regulated in the public interest.

While social democrats accept the benefits of market incentives, markets have reverted to generating gross inequalities in the distribution of wealth and power that are impossible rationally to justify. There ought to be limits to markets so that other human values can flourish: equity, duty, fraternity, sustainability, culture, an idea of the 'good life'. No one wishes to live in a society ruled by the market and the power of money alone. The primacy of politics must be rediscovered and confidently re-asserted.

Social democracy is about defining and defending the public realm

Social democracy is fundamentally concerned with the politics of the public interest. It demands a strengthened public domain of citizenship, equity, and service. This is more crucial than ever for individual fulfilment and social well-being, and it draws on labour movement traditions of mutual obligation and economic co-operation. It entails the bottom-up renewal of representative democracy through reform of the political system – and the opening up of opportunities for public service.

The last century witnessed the advance of both the state and the market in the industrialised nations. But neither states nor markets are capable of responding adequately to the needs of citizens. Markets can be unjust, inefficient, and prone to instability. States can leave citizens feeling disempowered tending towards top-down, bureaucratic, and centralised control. A strong state is necessary to redistribute wealth and guarantee the provision of public services, but centralised bureaucracies are often incapable of addressing complex social and economic needs. Neither markets nor states can be relied upon to uphold the public interest, putting public duty before market rewards or bureaucratic vested interests.

Social democracy has an aesthetic of lifestyle and ethical change

Much of the vitality in contemporary politics has come from feminist and green movements which espouse an ethical commitment to liberation. Gender politics and ecological politics have had a profound impact on common understandings of government and democracy. But social democracy too contains an ethical dimension of what it means to lead a good life based on service to others.

Social democracy needs to be a practical expression of our belief that we can achieve more together than we can achieve alone: finding freedom and fulfilment in helping those most in need; valuing public and community service; bringing people together to solve common challenges; equipping families and neighbourhoods with the tools to solve their own problems; upholding the highest standards of personal behaviour in public life; promoting reciprocity, co-operation and self-reliance. Social democracy must develop this aesthetic of ethical living.

Social democracy is rooted in common citizenship and social cohesion

Our societies have to address unprecedented forms of fragmentation. Inequalities are starker and class disadvantages more embedded, while identities are fractured and the spirit of solidarity has weakened. For all its economic benefits and the flourishing of cultural diversity, migration has unsettled conventional understandings of fairness. Many families are under pressure – through relationship break-up, crime, mental ill-health, or drug and alcohol abuse.

The task for social democracy is to rebuild that sense of cohesion and common citizenship based on reciprocal rights and duties. We aim for democratic equality which is about far more than greater equality of opportunity, breaking down barriers to

individuals developing their unique talents. Rather we aim also to bring people together in a society of fairness and mutual respect. Citizenship means every individual contributing to the common good as well as benefiting from it according to ability and need. Abuse of the common good violates the fundamental principle of responsibility and solidarity, an animating ideal of the socialist tradition.

Social democracy is an avowedly internationalist movement

We are not just citizens of our own countries, but global citizens with obligations towards our fellow human-beings across the world. In the 21st century there are ethical grounds for this commitment but it is also clearly in the interests of stable and vibrant national democracy. The European Union, for all the gravity of crisis that the eurozone currently faces, is an essential foundation of both peace and prosperity across our continent and Europe's capacity to represent its values and interests across the globe. It remains our boldest political innovation after the realisation of the mixed economy.

When capital is mobile, borders are porous, and where terrorism and violence can easily be exported around the world, it is more necessary than ever for social democracy to be engaged in the international arena. Many of the challenges facing our own societies, from rapid migration flows to drug-trafficking, can only be solved through new forms of transnational governance. Social democrats must of necessity be advocates of a reformed and revitalised European Union and a strengthened global public domain. The pooling of sovereignty is often essential. What needs to be addressed is the democratic accountability and responsiveness underpinning it.

2. Policy challenges and core concerns

A centre-left political agenda

In an ever more uncertain world, centre-left parties must be both imaginative and hard-headed in their political priorities and electoral offer. In the face of an increasingly agile centre-right and greater than ever competition from liberals, greens, left and right-wing populists, social democrats need to regain the confidence to set a distinctive political agenda while confronting the most pressing policy challenges that are reshaping our world. This is all the more difficult taking into account how deeply entrenched neo-liberal principles have become; and in a political climate of insecurity and fear about the future, where the middle-income working family base of liberal social democracy is being eroded.

This process has to begin by identifying the most insistent social and economic challenges, then outlining a realistic political agenda that speaks to and protects a broad social constituency, acknowledging that many traditional pillars of the social democratic offer are exhausted. Values only have meaning to the extent they can be applied to the world as it is, not as we would prefer it to be. Only then we can set our own distinctive political agenda.

Economic growth

Designing a sustainable new model for growth and future competitiveness is Europe's foremost political challenge. Growth has been dramatically squeezed throughout the European continent as a result of the seismic impact of the global banking crisis in 2007-8 and its continuing aftershocks, not least the eurozone sovereign debt crisis. This crisis of the developed world has also brought home and is likely to accelerate the underlying shift in global economic power to the

emerging nations of Asia, Latin America and Africa. Given the manifest failings of unconstrained market fundamentalism, new models will be required that generate broad-based economic growth and promote efficient and responsible capitalist structures, addressing both financial regulation and banking reform, alongside corporate governance and a greater diversity and accountability of ownership structures. The weakness of the financial system has squeezed business lending, further damaging growth potential and weakening the real economy and the SME sector.

The goal of managing Europe's transition to a vibrant, socially inclusive and ecologically sustainable knowledge-based economy remains valid. A rejuvenated programme for jobs and growth must be holistic and consistent with long term challenges, taking into account the different levels of adaptation to globalisation and societal change, particularly between the well-educated and low-skilled. Social democrats need to promote new competitive skill sectors, low-carbon transition, large scale (and cross border) investments in new digital, energy and transport infrastructures, and strengthened national innovation systems. Despite severe fiscal constraints, resources for these investments must be found.

Fiscal consolidation

Many centre-left parties across Europe are mired in the politics of debt and deficits. The accusation that social democrats love to 'tax and spend' for the sake of it, and that public expenditure has often been wasted, has gained demoralising traction. Social democrats are too often identified exclusively as the party of the public sector, rather than parties of responsible business, entrepreneurship and market innovation. Worse still, social democrats are seen as good at distributing the spoils of prosperity, but bad at generating growth itself: a devastating shortcoming at a time when there is little to distribute and growth is desperately needed.

Social democrats need to make a clear statement of intent on fiscal discipline, and develop new rules that bring down unsustainable levels of debt and balance budgets over the

economic cycle. They have to be deficit hawks not just in theory but in practice – setting out explicitly where cuts will fall and how the burden of necessary adjustment can be shared more fairly. The new EU economic governance framework has serious flaws but 'beggar my neighbour' policies are wrong, self-defeating and deceive national electorates. The need for common rules to achieve improved co-ordination in fiscal and monetary policy is indisputable.

The limits of tax and spend

Social democrats need to rethink the core business of the state. With public sector retrenchment and fiscal consolidation the defining features of the post-crisis political consensus in many countries, social democrats must prove their commitment to developing policies that secure public value, drive out waste and enable governments to do more with less. Reshaping the state requires new boldness, clarity and rigour in redefining the boundaries of welfare universalism, while devising new forms of social insurance to meet new social risks. Better management of public services in tougher times will be an imperative. New approaches to delivering collective goods will be required that are no longer solely reliant on rising government spending. Social action programmes are needed to help tackle unmet needs, without relying solely on traditional public sector delivery agencies.

The sustainability of the European social model is under threat as a result of changing demography: population ageing and reduced fertility rates. The risk is that the dependency ratio on the welfare state will be unworkable on current trends unless employment participation rates rise and people work more productively and longer as life expectancy rises. That is why present levels of unemployment, particularly youth unemployment, are not only tragic for the individuals affected but an impending disaster for society as a whole. A new gender compact will help to increase female labour force participation by addressing the twin burdens of work and care, and ensuring a more equitable distribution of caring responsibilities between women and men.

Social investment

At a time when the centre-left is fighting hard to portray solid economic and fiscal credentials, social investments remain crucial. Social democrats intent on repairing the damage to the political message of social progress, and ensuring that Europe is competitive both in terms of economic growth and social value, need to prioritise social investment as a precondition for economic competitiveness. Reforms must be linked to a renewed effort to implement an EU social investment strategy. This entails shifting the centre of gravity in social policy towards early childhood, skills and training, while increasing resources for youth-oriented social investment based policies.

Making social investment sustainable also means shoring up the tax base, clamping down on tax evasion, and shifting the balance from taxes on income to taxes on property, land, and unearned wealth. Targeted investments in infrastructures are needed to promote sustainable living through public transportation, increased recycling, and the ‘greening’ of our cities. A European Investment Bank should issue bonds and leverage private capital, and work through a new network of ‘National Investment Banks’, to undertake much needed restructuring, providing an additional stimulus in the aftermath of the crisis. At the same time, without reform, existing pensions systems will struggle to remain sustainable. For social democrats this poses a new issue of equity between those for whom a longer working life extends opportunity for fulfilment, and those worn out by decades of work for whom traditional retirement offers freedom.

Growing polarisation and inequality

The global economic crisis has compounded the long-term trends towards inequality and polarisation in many advanced capitalist societies. The crisis has led to plummeting living standards and real incomes combined with rising unemployment, particularly youth unemployment. The grotesquely high rewards at the top of the income ladder, the decline of social mobility and an ever widening gap between rich and poor are creating new fractures and divisions. Social democrats need to present a new politics of fairness and social justice.

In these hard times where inequality has become rampant, redistribution is back on the political agenda. The tax system needs to be better attuned to reducing income inequalities, and tackling the new trends to excessive accumulation of wealth through new forms of capital taxation, including the possibility of a one-off capital levy to reduce the scale of public debt. Social democrats accept a moral obligation to protect and raise the living standards of the poor, especially children in poverty, the indigent elderly and those with long term disabilities. But these policies will only command popular support if at the same time we support a meaningful, toughly enforced obligation of those on benefits who are capable of work to accept it, if a job is available or offered under some form of public guarantee.

Agents of political change

A decade into the new century, Europe is beset by a striking mood of social pessimism and political apathy. Many are frightened by the concentration of power in the market economy; yet this is mirrored by a lack of faith in the central state and practice of politics to reflect the public interest. Instead of its traditional role as an instrument to deliver services in the public interest, ‘big government’ and its centre-left advocates have successfully been cast as profligate and reckless, captured by vested interest rather than working for the common good. Social democrats have to present themselves as agents of change, dispersing power, building new alliances and fostering new instruments of public action in a context where political space is more restricted than ever. There needs to be a radical rethink of the levers of governance and agency: social democracy should lead the debate about the constitutional arrangements for governance, both in political systems and in public and private sector organisations.

The question about the appropriate level for exercising decision-making powers and responsibilities – local, regional, national, European, global – is now of paramount importance. Many representative democracies need reform to make politics more transparent and to clarify the responsibilities of ministers and unelected officials. Social democrats should remain committed to the principle of subsidiarity: that decisions should be taken at

the level closest to the citizen. They should continue to pursue institutional changes that devolve and disperse power as widely as possible. They should give citizens guarantees over the quality of the public services they receive, with the right to trigger compensation where things go wrong. They should give people, public sector professionals and communities the right to manage services directly at street-level where appropriate, especially in the housing sector and social care.

Business accountability

In the aftermath of the financial crisis, the governance of the company also needs reform: ownership structures should reflect the status of senior executives as custodians, managing the firm for future generations, accountable to all their stakeholders. This should include reform of company remuneration to restrain excessive rewards which should no longer be awarded with scant regard for corporate performance. Embracing ‘stakeholder’ economics should include the active promotion of genuine workplace partnerships between employers and the workforce, with greater employee engagement on vocational skills, training and innovation within the firm as well as developing mutual and co-operative models of ownership. Democratic reform of the private sector should also embrace better protection of the long term interests of the ultimate owners of companies – pensioners and savers – in long term sustainable growth, correcting the distorting effect of the present incentive structures for investment managers to focus on short term performance and appropriate too large a share of investment returns in their own costs and charges.

Lifestyle politics and the good society

The workplace is a crucial arena for social democratic politics. It speaks to the tension between labour and capital, politics and markets, but it also raises issues about well-being and life satisfaction, citizenship and community. Given the present circumstances of scarce fiscal resources, social democrats should work towards a smaller but more efficient state to pursue ‘smart’ policy actions on income redistribution and work-life balance. There is a need to strengthen the ‘quality of life’ and security

dimension of the social democratic prospectus: social democrats need to move away from per capita GDP as the primary indicator of societal progress.

At the same time, most western European societies have achieved levels of material wealth which yield diminishing returns from additional growth. But social democracy also needs to open up new frontiers in the quality of life agenda including curbing excessive working hours and giving working parents the right to time off to care for children and older family members. Every working adult should have the right to accrue time-off for sabbatical leave every 8-10 years, which they can choose to spend as they like caring for others or gaining new skills. At the same time we should strive to achieve a better balance between flexibility and security in the labour market, rejecting deregulation on the grounds that it reduces employer’s incentives to offer high quality jobs, but recognising the need for flexibility when economic realities change.

Identity and community

New cultural conflicts and cleavages have undermined left-of-centre parties in Europe. Public concern over migration, identity and culture looms large in European politics. Social democrats appear to be paying a heavy price, losing ground to parties on the centre-right, far right and far left as they struggle to craft a clear narrative and policy response. Many of the identities, solidarities and constituencies on which European social democracy was built are under increasing strain. Nevertheless a romanticisation of a lost world of homogeneous working class community that can never be recreated is backward looking and a false prospectus.

Immigration can bring enormous cultural and economic benefits, but governments have not managed it well to minimise pressure on low wages, housing and public services. At the same time, providing citizens with a clearer sense of belonging, community and collective purpose has to be at the forefront of revitalised centre-left policymaking. Markets that have no respect for traditional values and ways of living cannot be allowed to

flourish untamed. Social democrats should reform market rules and support tools of micro-democratic engagement to help build community activity. Where possible community groups should be empowered to find solutions to their own problems as long as they adhere to inviolable principles of non-discrimination and respect for 'otherness'.

Interdependence and security

The deepening of economic and security interdependence is a defining feature of the 21st century. The fragility of the global economic system, the changing relationship between war and terrorism, the struggle to prevent the proliferation of weapons of mass destruction, the spread of cross border crime, the consequences of international migration, and refugees fleeing failing states all present huge challenges. The fight to tackle climate change, alleviate global poverty, and conquer disease confronts national governments with growing urgency. Solving complex challenges while sustaining the consent of our electorates will demand new alliances, global institutions and mechanisms of multilateral co-operation, effectively addressing rising transnational concerns.

There is a pressing need to create mechanisms for multi-level governance: social democrats must work together to formulate new strategies for governing the global economy in the aftermath of the financial crisis. The proposal for a financial transactions tax, even if first implemented only at EU or eurozone-level, is welcome but is only part of a much wider set of challenges that need to be addressed. A new global regulatory architecture is needed to stabilise the international financial system. It is also necessary to develop shared priorities for global security in an era where public finance pressures are squeezing spending on military capabilities, leading to overstretch in Iraq and Afghanistan. In the future, much greater collaboration and capability sharing will be needed across the European and North Atlantic alliance. The wave of revolutionary protest in the Middle-East illustrates the continued shift in the global and geo-strategic environment. This is the time for outward-facing global engagement which social democrats must take seriously.

3. Institutional and structural constraints

Governing competence and democratic legitimacy

Social democratic parties have acquired a wealth of governing experience over the last two decades. But they often underperformed in government as a result of fault-lines within the very system of representative democracy and governance itself. This was not only the result of a failure in analysing and mastering the economic and social challenges outlined in the previous section. It was also the consequence of a failure to understand how to overcome the institutional constraints and governing pathologies arising from the process of governing in contemporary democracies. This section outlines six major governance challenges:

Political atomisation

Winning outright majorities appears to be a thing of the distant past. Representative democracy has rested historically on organisations such as trade unions and civil society groups that could mobilise and motivate voters, offering a political vehicle through which to influence decision-making and exercise democratic voice. As these organisations have declined over the last forty years, the social consensus for a strong welfare state which they fostered is increasingly threatened, weakening the political legitimacy of social democracy. As a result of declining class consciousness, the blurring of old occupational class boundaries, and increasing societal fragmentation, the position of social democratic parties as a force for popular electoral mobilisation and as a bridge between the lower and higher-educated segments of society has been imperilled. The importance of coalition-building and developing stronger electoral alliances with progressive liberalism and ecological movements has grown.

Path dependency

To govern competently, social democrats need clear, strategically focused governing objectives. Too many left-of-centre parties come to power with grand ambitions for fundamental reform of social and economic institutions, but without a worked through strategy to overcome the obstacles and barriers to progress. In doing so, they underestimate how far institutions are embedded in long-standing traditions of custom and practice which are not easily challenged. Many social democratic parties have rightly sought to emulate the strengths of Nordic social democracy, but the political culture of the Scandinavian countries is very particular. Institutional innovations cannot easily be transposed. Often, the most successful reform strategies have to work with the grain of national traditions and policy trajectories, but this requires a capacity for ceaseless adaptation and institutional renewal.

De-politicisation

In order to govern successfully, the centre-left has to deal with the challenge of 'de-politicisation'. Over the last two decades an increasing number of decisions have been removed from elected politicians and handed to panels of experts at the local, national and supranational level. This reflects the increasing importance of expertise and the engagement of technocratic decision-makers, as well as the growing impact of regulatory agencies at the national and European level. The result is a creeping process of 'de-politicisation', heightening the sense that there are no longer any major ideological choices to be made: elections are simply about selecting an alternative 'management team'.

On central economic issues, debate is often framed in technocratic terms between 'good' and 'bad' policies. Left-right choices such as the redistributive question of which groups in society should bear the pain of economic adjustment, or the stronger role that the state could play in fostering economic development, are often marginalised. This is dangerous for social democracy which has always espoused the ideal of a more hopeful, optimistic future. It denudes politics of the sense

that there are real and meaningful choices and ideological differences, thus weakening the foundations of representative democracy. Of course, the importance of advances in medicine, science, and technology means that politicians will need to draw on the specialised knowledge of experts. What is required are more transparent mechanisms to keep expert bodies accountable to the public interest and focused on clarifying the choices that should properly be made in the democratic arena.

Bureaucratisation

Social democrats have to be bolder in resisting the remorseless drift towards bureaucratisation in advanced capitalist countries. Top-down, monolithic public bureaucracies alienate voters, and often make it harder to achieve progressive goals. Yet centre-left parties repeatedly allow themselves to be positioned as defenders of the monolithic local and central state, and dissatisfaction with this perceived unresponsive bureaucratic provision most damages the social democratic cause. The embrace by many centre-left parties of 'new public management' and various public-private partnerships has not done enough to alleviate this problem. Public institutions have to be transparent, responsive and accountable. They also have to be of a structure and scale that can relate to citizens in their everyday lives. This makes the devolution and dispersal of power, for example in welfare provision and public services, an imperative. With trust and faith in the capacity of the state and ruling elite to act in the public interest at an all time low, the left must not present itself as the champion of a sclerotic monolithic state. If it does, social democracy will be forever associated with unresponsive and centralising bureaucracy.

Concentration of power

The centre-left has to attack illegitimate concentrations of power in the economy and the wider political system. Social democracy is a pluralist ideology committed to the dispersal and redistribution of power, both economic power and political power. Left-of-centre governments have struggled to deal with the concentration of power and control in modern economies. Social democrats should not be anti-business.

They should be strongly pro-enterprise and pro-competition where that promotes the consumer interest. But they need to develop a more critical relationship to corporate power that appears increasingly to dominate public life. Corporations have used the threat of delocation and global mobility to resist attempts at regulation and democratic accountability, further heightening the disillusionment of citizens with the values of politics and democracy. This further underlines the importance of strengthening the capacities of the state to regulate and tame corporate power, both nationally and at the EU and global level. It means extending the scope of intelligent and proportionate regulatory intervention while at the same time protecting the financial base of the welfare state through clamping down on business tax evasion and fraud, avoiding a ‘race to the bottom’ in corporate taxation.

Representation

Social democrats have to strengthen the pillars of representative democracy. Governance at all levels, whether local, national or supranational, is exhibiting shortcomings. Political parties are in danger of becoming closed elites of office holders rather than genuinely open to all committed supporters of our values: as a result, they are largely ceasing to perform the functions that are essential to a robust representative democracy. Coalition governments are becoming the norm – and with it a new culture of non-transparent deal-making. First-past-the-post voting systems which penalise smaller parties and allow an increasingly narrow minority of voters to elect the government from a limited group of marginal constituencies, present systemic problems for democratic representation. These are highlighted by declining voter turnout and participation in both local and general elections. At the EU level, traditional conceptions of democracy are being challenged by policymakers as political and economic integration is accelerated and decision-making power shifts to Brussels. The EU itself is going through not just a profound economic crisis, but also a deep crisis of legitimacy and democracy.

4. Public attitudes and preferences

What voters want

The previous three sections have dealt with social democracy’s core ideological values, the political agenda needed to address the strategic challenges facing our societies, and the increasing strains imposed by the fragmentation of democracy and governance. Completing this salutary picture means having an appreciation of underlying public values and sentiments.

The last decade has witnessed a dramatic shift in Europe’s self-belief and confidence. Grasping the extent to which this development has affected the basic attitudes and preferences of voters is absolutely indispensable for European social democracy, which in many countries stands accused of being out of touch with the political zeitgeist, and important strands of public opinion.

Today, politics has been captured by a growing concern about the fairness and efficiency of the entire political and economic system – how it works, what it demands, whom it benefits, and how it is supposed to change. Indeed, recent changes to our political, social and economic systems have left a profound mark on popular attitudes. If the well-educated, cosmopolitan-oriented and mobile sections of our society are benefactors, many others occupy a much more vulnerable and insecure position. The ever-growing pan-European presence of right-wing and left-wing populist movements is thus an alarming reminder of the underlying unease within segments of the electorate. Social democracy must fully grasp such developments and relate them back to governing values, policy challenges and institutional constraints.

To this end, we have analysed current opinion surveys and data from the last ten years, taking a relatively cohesive group of five Western European countries – Germany, France, the UK, Sweden and the Netherlands – and aggregating the individual results by drawing on two pan-European studies: the European Social Survey (ESS) and the European Values Studies (EVS). What the result offers is a valuable snapshot of public values and sentiment in our societies, and when they have shifted over recent years.

Political economy

- Ongoing concern about the scale of wealth and income inequality.
- A high level of dissatisfaction with predatory capitalist practices and doubt over the capacity of the market to deliver social goods.
- A high degree of commitment to reciprocity and a universal welfare state.
- Profound concern about the capacity of the state to deliver after the crisis, and anxiety about public sector debt and deficits.
- Anxiety and unease about the impact of immigration and European integration on the economy.

Voters express mixed views on the balance between the state and the market in the economy. An increasing proportion of people agree that governments should reduce differences in income levels: 67% in 2010, though only up 2% from 2002. There is also growing support among voters for the principle that incomes should be made more equal: 60% in 2008, up nearly 10% from 1999. Data from the EVS also reveals a substantial shift in support for equality above personal freedom, increasing from 36% in 1999 to 48% in 2008. Despite this, voters continue to support the idea that individuals should take more responsibility for providing for themselves rather than the state: 68%, down slightly from 70% in 1999. Furthermore,

a sizeable majority of voters continue to appreciate the benefits of competition in the economy: 76% in 2008, almost identical to 1999.

While this suggests stable and continuing support for the institutions of the market economy, it is important to note people's growing unease with the power of big corporations and diminishing faith in the capacity of the market to deliver sustained economic benefits. In 1999, 65% of people thought that the state should afford more freedoms to firms as deregulation was seen by many at the time as the key to economic success. By 2008, however, that number had dropped by over 10 percentage points to 53%. Similarly in 1999, 76% of people thought that private ownership of business should increase, but by 2008 this number had dropped to 68%. Furthermore, polling across three European countries by YouGov and Policy Network in the 2011 publication "Priorities for a new political economy" reveals significant majorities in the UK (85%), Germany (83%) and Sweden (60%) felt that large corporations care only about profits, and not about the wider community or the environment.

This battery of polling from 2011 also reveals that people have a very low estimation of government's ability to stand up to vested interests – ranging from a mere 16% in the UK and 21% in Germany, to a more respectable but still worrying 27% in Sweden – when asked to compare the different strengths of state action. Moreover, the extent to which the state is hijacked by these vested interests is a matter of utmost concern to voters, especially in Germany (48%). In the UK this perception is slightly less widespread (38%), while Swedish voters again are the least pessimistic (17%).

Despite voters' concerns about the capacity of the state to deliver, satisfaction with the provision of public services remains stable and has been steadily rising, as figures suggest an improvement in the quality of education and health provision across the five countries surveyed in our analysis of the ESS

and EVS. In 2010, 49% of voters were satisfied with the overall state of education in their country, slightly up from 2002. In relation to healthcare, in 2010 there was a marked increase in those who were satisfied with the provision of health services in their country: 58% - up 11% from 2002.

Returning again to the Policy Network/YouGov polling of three individual countries however reveals that significant numbers in Germany (48%), UK (39%) and Sweden (34%) believe centre-left governments 'tax too much with too little public benefit'. Nevertheless there is also support among voters of other parties for increased taxation, but only provided it would be *guaranteed* to improve benefits and services. For example, in the UK, 51% of Liberal Democrat and 32% of Conservative voters are supportive of this statement. This trend is borne out in Germany, where 47% of people who support the incumbent, centre-right CDU and 41% who support the economically liberal FDP would also be supportive, while in Sweden this is the case among 37% of voters for the ruling, centre-right Moderate party, which has made so many gains by adopting key tenets of their opponents' social democratic agenda. This suggests that this issue does not necessarily relate to support for taxation *per se* but how people feel their taxes are spent.

Voters take a hard-line stance on both benefit cheats and tax evaders. However, while the proportion who believe claiming government benefits that you are not entitled to is not justifiable has remained broadly stable at 92%, the number who support clamping down on tax avoidance had risen by 4%: from 88% in 1999 to 92% in 2008.

It is clear that voters have not accepted the argument that immigration is invariably positive for the economy. Voters are palpably anxious about the strain immigration is putting on national welfare in their country (72% in 2008), while a majority (56%) believe immigrants take away 'good jobs' from native citizens. Overall though, voters are unsure about the impact immigration is having on the economy. When asked whether

immigration was good or bad for the country's economy, 34% said it was 'more or less' bad, 28% said it was 'more or less' good, while 26% said it was neither good nor bad. The issue of Europeanisation remains a crucial concern for voters who are increasingly uneasy about the effect that the EU's liberalising agenda is having on social security and jobs. In 2008, 68% of voters were afraid that EU integration was threatening national social security, of whom 21% were 'very much afraid'. Similarly 71% of voters were concerned that EU integration was leading to a loss of jobs in their country and increasing company delocalisation. Nearly a quarter (24%) said that they were 'very much afraid' of this. Finally, there is also clear awareness of the unsustainability of the current economic model: 77% agree that if things continue on their present course, we will sooner or later experience 'a major ecological catastrophe'.

Politics, democracy and social attitudes

- A gradual withering of trust in representative democracy, the conventional political system, and the European Union.
- Extremely low levels of party political engagement.
- Growing concerns about the capacity of the state and practice of politics to reflect the public interest.
- The broad base of ideological commitment remains stable.
- The most commonly cited locus of people's sense of belonging remains the locality or town where they live.
- An on-going trend towards liberal social attitudes but strong commitment to the family and underlying hostility to certain groups, especially immigrants.

Although voter turn-out for elections has remained broadly stable, averaging around 75% over the last decade, a closer look at active participation reveals the extent of the organisational crisis facing mainstream political parties: just 4% of the electorate in the five countries surveyed are signed up as party members (the level was marginally higher in 2002); and in a 12-month period, only 16% were in contact with a politician or

government official, 3% worked with a political party or action group, 30% signed a petition and 7% took part in a lawful public demonstration. An average of 44% said they were 'hardly or not at all interested' in politics and only 50% were satisfied with how democracy works in their own country.

Correspondingly, the 2010 ESS puts trust in politics and political institutions at an all time low, with 43% having below average or no trust in their country's parliament and 55% registering a similar verdict in relation to their elected political representatives. The European Union conforms to this picture at 49%. A recent Europe-wide 'Eurobarometer' (76, Autumn 2011) darkens this picture further, revealing that averages of 66% of people do not tend to trust the EU, 73% their national parliament and 76% their national government.

Yet this does not appear to have altered ideological commitment and adherence. Since the turn of the century, comparing placement on a left-right axis across waves of the ESS reveals little change. In 2010, identification on the left and centre-left was 34% against 33% on the right and centre-right. Meanwhile, 5.1% identified with the far left of the political spectrum (5% in 2002) and 4% with the far right (unchanged from 2002).

In terms of social values and ethics, wealth and consumption are not all that matters: 62% of people think a change in our way of life, giving less emphasis to money and material possessions would be a good thing, compared to 16% who think it would be bad. The importance of family life (96%), personal relationships (88%) work (86%) and leisure (88%) has remained stable over the last decade, but the role of religion in public life has declined with 53% now identifying themselves with a particular denomination, down from 63% in 1999. Only 10% practice their faith on a weekly basis.

Attitudes towards women in the labour market, marriage and relationships have continued to become more liberal. 82% think having a job is the best way for a woman to be independent,

and three quarters of people think both the husband and wife should contribute to household income. 82% of people believe a working mother can establish just as warm and secure a relationship with her children as a mother who does not work, and almost 80% think that fathers are as well suited to look after their children. Moreover, 91% of people think that men should take as much responsibility as women for the home and children. But, despite coming down from 50% at the turn of the century, 44% still believe that a pre-school child is likely to suffer if the mother works. The view that a child needs a home with father and mother has increased from 77% in 1999 to 81% in 2008.

In relation to identity, data from the EVS shows the strongest focus of people's sense of belonging to be the locality or town where they live, with 38% in 2008 identifying most strongly with this geographical group, down from 50% in 1999. Furthermore, a sense of national pride persists with 84% in 2008 stating they are proud to be a citizen of their country of nationality. Only 5% would identify themselves first as European and over half of the population exhibit the sense that the European Union may threaten national identity and culture. Most people do not express openly intolerant attitudes to immigrants and people of another ethnic origin. Only 7% would select people of a different ethnic group as people they did not want as their neighbours. This was only slightly higher in relation to immigrants and foreigners, with 10% expressing a preference not to have immigrant neighbours in 1999 and 11% in 2008.

However, there has been a rise in anti-Muslim sentiment in Europe: whereas in 1999 13% said they would not want Muslim neighbours, this rose to 18% in 2008. At the same time, over a third tend towards the view that a country's cultural life is undermined by immigrants, 55% express the view that immigrants make crime problems worse and 45% tend to think that in the future the proportion of immigrants will become a threat to society. 29% state that they sometimes feel like a stranger in their country because of the number of

immigrants, compared to 53% who disagree. There are also broadly identifiable increases in social conservatism in some areas, with the percentage of people who think there should be greater respect for authority jumping 10% over the last decade to 66% of the population, and a strong majority of people believing that people who break the law should get much harsher sentences (64%).

5. What social democrats must now do

Future direction and political strategy

This analysis aims to reinterpret and adapt core social democratic ideologies and programmes to contemporary challenges. What social democratic parties face now, as they have faced in every generation, is the need to modernise and adapt their policies and strategies in the light of their core principles. They must do so by drawing together four distinctive strategic dimensions: the normative commitments of social democracy; the great structural challenges of the age that social democracy must confront; the institutional and governing constraints that centre-left parties face; and the extent to which social democratic ideas go with the grain of underlying trends and social forces. A successful political strategy that enables left-of-centre parties to win power, govern successfully and change society according to social democratic values entails an agenda that intersects across all four of these dimensions.

To translate this analytical framework into ideas for a political programme and provide stimulus for the rejuvenation of European social democracy, greater clarity is needed on these core concerns:

Normative values

To what extent is there still a distinctive set of social democratic values? How should social democracy relate to other ideological families such as social liberalism and the green movement?

Structural challenges

How can the structural challenges which are remaking our economy and society best be understood? How should social democrats understand the nature and resilience of modern capitalism?

Governing constraints

What can be learned from previous phases of social democratic governing in relation to institutional constraints? How do centre-left parties organise the machinery of government in order to deliver their goals?

Public values

Drawing on empirical data how do we understand the underlying forces shaping public opinion in the advanced capitalist countries? What are the key trends and drivers?

If social democrats become obsessed with issues that matter very little to the public, they risk electoral marginalisation. If they simply adapt to the prevailing mood among voters, they lose their guiding orientation and compass: they govern without purpose and quickly lose their political élan. If they focus only on the major administrative challenges, they appear managerial and technocratic, unable to engender excitement and hope for the future. And if they propose policy solutions which are incapable of overcoming the institutional and structural constraints of contemporary governance, they will not be perceived to offer a credible alternative to the centre-right.

It is necessary to draw together all of these concerns. Social democrats need radical thinking in every generation. Being radical means being prepared to ask tough questions, going to the root of things and working through how highly abstract principles – autonomy, equality, solidarity, social justice, sustainability – can be translated into practical and feasible reforms. There are many obstacles, but social democracy has new opportunities and new challenges, freed from the burden of the Cold War but also facing the greatest crisis in the history of western capitalism since the Second World War. It can attain a new vibrancy if it is prepared to escape the straitjacket of past approaches and governing instruments, defining a contemporary left-of-centre political project for new times. As John Maynard Keynes once remarked, ‘The biggest problem is

not to let people accept new ideas, but to let them forget the old ones’. In opening up new intellectual space, we believe social democrats should build a new politics that is politically pluralist, socially inclusive and economically egalitarian.

The new revisionist wave of the last twenty years brought temporary success and a return to government but did not provide any lasting reorientation of left-of-centre politics. There will never be a singular form of social democracy, but there has to be a clustering together of new thinking and new ideas. That is the great task and responsibility facing social democracy in Europe. This manual for renewal aims to chart new political and intellectual terrain. Politics must start first and foremost with ideas. Public relations initiatives, electoral tactics and community organising are no substitute for the necessary radical rethinking and ideological reorientation. The next phase of our work will involve producing a new social democratic programme building on the findings of this analytical framework.

London & Amsterdam, April 2012

Call for papers

Policy Network and Wiardi Beckman Stichting call for ideas, critiques and responses from political observers, academics and thinkers to foster and stimulate the Amsterdam Process in defining a contemporary left-of-centre political project for our times. Please write to Michael McTernan at mmcternan@policy-network.net.

The Amsterdam Process is a distinctive political project which sets out how left-of-centre parties can turn the tide of stagnation and attain a new vibrancy and radicalism.

Social democrats need to recognise that there is a credibility gap and delivery deficit which goes much deeper than political positioning and new rhetoric. This manual for renewal responds by setting out a sharper more coherent path for social democratic reform which draws together governing values, policy challenges, structural constraints and public attitudes.

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