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# NO THIRD WAY: A COMPARATIVE PERSPECTIVE ON THE LEFT

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**NO THIRD WAY: A COMPARATIVE  
PERSPECTIVE ON THE LEFT**

**by**

**Seymour Martin Lipset**

While the attention of the world has been focused on the startling transformations in the Communist world, equally important if less dramatic shifts have been occurring in the noncommunist parties of the Left. Although less noteworthy, since they do not involve revolutionary economic and political changes, they are as ideologically significant, for they represent a withdrawal from the centralized redistributionist doctrines of the democratic Left.<sup>1</sup>

Their record confirms the conclusion of Pierre Mauroy, Prime Minister of France's first majority Socialist government, who noted in the Spring of 1990: "We thought we could find a third way, but it turned out there isn't one."<sup>2</sup> In country after country, socialist and other left parties have taken the ideological road back to capitalism. This movement to the right, well advanced in many countries, stands in contrast to the behavior of our own traditionally moderate left party, the Democrats, in the last decade. Though opposed to socialism, and operating within the most anti-statist society in the industrialized world, the Democrats have moved left, in direct

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<sup>1</sup> For a systematic overview, see Salvador Clotas, "Las Transformaciones del Socialismo en los Años Setenta-Ochenta," *Leviatan*, Otoño (Autumn) 1989, pp. 95-106.

<sup>2</sup> Quoted in Flora Lewis, "Triumph's Challenge," *The New York Times*, May 29, 1990, p. A15. For a comprehensive discussion of the reasons why there can be no third way, see Ralf Dahrendorf, "Mostly About the Strange Death of Socialism and the Mirage of a 'Third Way'," in his *Reflections on the Revolution in Europe* (New York: Times Books, 1990), pp. 42-77.

contrast to left of center parties elsewhere.

This paper begins with a review of events around the social democratic world and ends by asking why the story of party principles and programmatic shifts is so different between the Left in the United States and that in most of the other industrialized countries.<sup>3</sup> How can this conundrum be explained?

### **THE COMPARATIVE STORY: THE SOCIAL DEMOCRATS NOVE RIGHT**

Beginning with the German Social Democrats in their Bad Godesberg platform of 1959, and gathering speed in the last decade, most of the overseas left parties have reversed their traditional advocacy of state ownership and domination of the economy in favor of market economy, tax reduction, monetarism and deregulation. Many emphasize that increased productivity, rather than income redistribution policies, is the best way to improve the situation of the economically disadvantaged. Indian political scientist Radhakvishnan Nayar notes unhappily, "few among the Left, in the West at least ... are found to question ... [free market beliefs]. The accent of the current debate inside the Western Left is how it can survive within a liberal capitalist system now assumed to be home and dry."<sup>4</sup> Marxist historian Eric Hobsbawm points out: "Today few socialist parties are happy to be reminded of their historic commitment to a society based on public ownership and planning.... In the 1980s we find, probably for the

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<sup>3</sup> For an analysis of the variations in socialist and working-class political behavior before World War I, see Seymour Martin Lipset, "Radicalism or Reformism: The Sources of Working-Class Politics," Lipset, *Consensus and Conflict: Essays in Political Sociology* (New Brunswick, NJ: Transaction Books, 1985), pp. 219-252.

<sup>4</sup> Radhakvishnan Nayar, "A Vague Optimism," *Times Literary Supplement*, May 18-24, 1990, p. 526.

first time in history, some nominally socialist parties whose leaders compete with Mrs. Thatcher in extolling the supremacy of the market and in increasing social inequality [I]n 1990 most socialists... competed with each other in the rhetoric of the supermarket."<sup>5</sup> The extent of these developments across almost every democratic country is worth exploring in more detail.<sup>6</sup>

### Australia and New Zealand

The comparative story may start in Australia, a country whose Labor party won majorities in a number of states as early as the 1890s. Labor parties have governed the Antipodes, including New Zealand, during the past decade. Coming to office in societies with a strong commitment to extensive welfare state programs and wage increases, these parties faced the dysfunctional effects of high taxes, government deficits, inflation and steady growth in wages on economic development. Under Prime Minister Robert Hawke and Treasurer Paul Keating, the Labor government in Australia cut

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<sup>5</sup> Eric Hobsbawm, "Lost Horizons," *New Statesman and Society*, September 14, 1990, pp. 16, 18.

<sup>6</sup> An early analysis of the changes in the Social Democratic parties may be found in the writings of Otto Kirchheimer in the fifties and sixties. See F. Burin and K.L. Shell, eds., Politics, Law, and Social Change; Selected Essays of Otto Kirchheimer (New York: Columbia University Press, 1969); see also Seymour Martin Lipset, Revolution and Counterrevolution; Change and Persistence in Social Structures (New Brunswick, NJ: Transaction Books, 1988 paperback edition, first edition published in 1970), pp. 267-304. Robert Tucker concludes that "radical movements that survive and flourish for long without remaking the world ... undergo eventually a process of deradicalization." They come "to terms with the existing order." Tucker, The Marxian Revolutionary Idea (New York: W.W. Norton, 1969), pp. 185-186. Ralf Dahrendorf notes that "right-wing social democrats are the most consistent conservatives in contemporary politics.... [They] manage not only with a minimum of programs, but even with a minimum of government." Dahrendorf, Life Chances: Approaches to Social and Political Theory (Chicago: University of Chicago Press, 1979), p. 106. Ralph Miliband argues that social democrats and trade union leaders are inherently moderated by working within "bourgeois democracy," which presses them to collaborate with their adversaries. Miliband, Divided Societies; Class Struggle in Contemporary Capitalism (Oxford: Clarendon Press, 1989), pp. 74-78.

interest rates, income taxes, pursued "economic deregulation," and formed a successful accord with the trade unions to limit wage inflation, so that real wages have fallen by at least one percent each year since they took office.<sup>7</sup>

Hawke has gone around the world looking for investment capital, noting that his administration has maintained a policy of reducing the real income of Australian workers. He proclaims the new social democratic gospel that profits, savings and dividends, rather than high wages and taxes, produce the capital for economic growth. Hawke contends that "if a social democratic government, such as mine, is going ... to do as much for them [the poor outside the productive process] as we possibly can, then we have to have an economy which is growing as strongly as possible and I think in the early days [of the movement] some ... didn't understand that.... [Y]ou have to be an idiot or just so blind with prejudice not to understand that you've got to have a healthy and growing private sector if you're going to look after the majority of the people."<sup>8</sup>

Complaining about an unjustifiably severe tax structure under his conservative predecessors, Hawke states that to give "the private ... sector ... the greatest incentive to invest and employ" we had to get rid of the "appallingly high tax rate, 60 percent of the top bracket, which Labor brought down to 49, and plans to lower further. Beyond changes on the tax side ... q we've ... [been] deregulating the economy."<sup>9</sup> On the subject of wage reduction, Hawke argues that "[T]he very reason why we are growing

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<sup>7</sup> Peter Beilharz, "The Australian Left: Beyond Labourism," Ralph Miliband, John Saville, Marcel Liebman and Leo Panitch, eds., *Socialist Register 1985/1986* (London: The Merlin Press, 1986), pp. 213-216; "Terrible Twins," *The Economist*, October 29, 1989, p. 73; Edna Carew, Keating (London: Uhwin Hyman, 1989).

<sup>8</sup> "Bob Hawke of Australia: A Controversial Prime Minister Speaks Out," Firing Line, April 12, 1989, p. 5.

<sup>9</sup> *Ibid.*, pp. 3, 4.

so strongly, why our employment growth rate is twice as fast as the rest of the industrialized world, is precisely because the Australian workers in this country have accepted lower wage levels.... [T]he move in the share of national income 10 away from wages toward profits ... has enabled us to grow...."<sup>10</sup> In September of 1990, Hawke and Keating announced a program of privatizing portions of the 11 banking system, as well as airlines and telecommunications.<sup>11</sup> A subsequent party conference approved these policies and "officially abandoned its commitment to public ownership in favour of a policy reminiscent of early Thatcherism."<sup>12</sup>

The New Zealand story has been similar. Returning to power in 1984, the Labour party, in office until October 1990, followed the most Thatcherite policy among western governments, including the original in Britain. In its first year, the new administration "terminated all ... exchange controls ..., abolished all price controls, wage controls, interest-rate controls, much of the industrial subsidies, agricultural subsidies, export subsidies and state-corporation subsidies introduced or intensified by the previous conservative governments.... It ... cut income tax across the board. This Labour government is also dismantling one of the oldest ... welfare states in the world.... The stated objectives of the policy are to turn New Zealand from an over controlled economy with high income tax, into a freer-market economy with low income tax, and to allow each enterprise ... to be exposed to

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<sup>10</sup> Ibid., pp. 2, 8.

<sup>11</sup> "Australia Private Hatred," The Economist, September 1, 1990, pp. 32, 34; "Australian Government to Sell Stake in Airlines," Financial Times, September 7, 1990, p. 4.

<sup>12</sup> "Australia Off the Dole," The Economist, September 29, 1990, p. 38.

domestic and foreign competition."<sup>13</sup>

An article in a socialist magazine emphasizes that the Labour government continued to follow a free market economic policy. Prime Minister David Lange argued in 1986 that "social democrats must accept the existence of economic inequality because it is the engine which drives the economy."<sup>14</sup> The government removed rent controls and dropped regulations on banking, finance and transportation. "Almost all supports for agriculture were removed.... Transport was deregulated ... and mergers were regularly approved.... Universality was ended for all social programs; the needy were targeted.... Changes in the tax system ended the tradition of taxation according to ability to pay." Many state enterprises were privatized, including airlines, forestry, oil, coal and electricity.<sup>15</sup>

Although a declining economy, reflecting world conditions, sharply reduced support for the Labour party, the government responded by following the Australian model. In mid-year 1990, it "struck a deal with the Council of Trade Unions under which it is to limit wage demands to just 2 percent for the coming year, less than half the current rate of inflation." This was reported by the President of the Council of Trade Unions as "an agreement on growth 16 strategy." He said "the agreement safeguarded existing jobs." <sup>16</sup>

These economic changes do not mean the party has dropped its

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<sup>13</sup> "A Labour Government Sets Things Right," *The Economist*, June 1, 1985, p. 17. For an insightful viewpoint by the finance minister from 1984-1988, see Roger Douglas, "The Politics of Successful Structural Reform," *The Wall Street Journal*, January 17, 1990, p. A20.

<sup>14</sup> John Warnock, "Lambs to the Slaughter," *Canadian Forum*, November 1989, p. 13.

<sup>15</sup> *Ibid.*, p. 13. See also Tim W. Ferguson, "New Zealand's Unfinished Economic Experiment," *The Wall Street Journal*, December 1, 1989, p. A20.

<sup>16</sup> Del Hayward, "NZ Pact With Unions Limits Wage Rise Demands to 2%," *Financial Times*, September 18, 1990, p. 7.

social concerns. The Economist comments that Lange "wants to make New Zealand richer so that he can afford to spend more money on what he regards as modern socialist causes," better education, a cleaner environment, and improvement in the situation of a "Maori underclass."<sup>17</sup> He also has "established a Guaranteed Minimum Family Income, set originally at \$250 per week for a family with one child."<sup>18</sup> Labour has tried to retain support among the left intelligentsia by 18 child." Labour has tried to retain support among the left intelligentsia by opposition to nuclear power and weaponry.

### Southern Europe

Similar stories may be told of other regions. Summing up the situation of the socialists in four southern European countries; Greece, Italy, Portugal, and Spain, Tom Gallagher and Allan Williams note that "in each party by the late 1970s, the Marxist ... statutes in the constitutions of the parties [were] being deleted or watered down or simply ignored.. [Radical economic prescriptions and redistributive policies were absent or else were set out in an opportunistic fashion. However the phrase is defined, none of the governments attempted to implement a specifically socialist economic policy."<sup>19</sup> The four, when in office, "all displayed a high degree of economic orthodoxy..., by implication, this means there has been little attempt to secure a substantial shift of resources to the working class, or to restrict the operations of private vs. socially owned capital." In the Portuguese case, when the

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<sup>17</sup> "A Labour Government," p. 18.

<sup>18</sup> Warnock, "Lambs to the Slaughter," p. 12.

<sup>19</sup> Tom Gallagher and Allan M. Williams, "Introduction," Gallagher and Williams, eds., Southern European Socialism (Manchester: Manchester University Press, 1989), p. 3. The economically "conservative" character of socialist policy in these countries is spelled out in the various essays in this book.

conservative government replaced the socialists in 1988, the new right-wing prime minister "scolded the PS [Socialist Party] for having been too austere in its economic programme."<sup>20</sup> In Greece, the Panhellenic Socialist Movement (PASOK), which held office from 1981 to 1989, also followed "an austerity programme" from 1984 on, that depressed the income of wage-earners while introducing tax "incentives for new investment."<sup>21</sup> A more detailed look at the patterns in Italy, which has had a socialist coalition government and large communist opposition, and Spain, with a socialist majority, is revealing.

In Italy, Bettino Craxi, the leader of a historically minor Socialist party, much smaller than the Communists, became head of the coalition government with the Christian Democrats in 1983, and reversed the tradition of statism dating from Mussolini's rule. The public sector had been extended by the Christian Democrats, who emphasized corporatism and communitarianism, in the forty plus governments they headed since the end of the war. In the 1970s, Craxi, seeking a distinctive role for his party, and faced by the massive strength of the Church supported Christian Democrats and the working-class based Communists, modified the party's socialist ideology. It "rapidly moved to the center of the spectrum," proclaiming to be "the only 'modern' party in the country and the only ... [one] able to represent the rising group who were products of the country' increasingly advanced economic development." These include the "highly successful small businessmen, entrepreneurs and professionals."<sup>22</sup> Craxi's government

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<sup>20</sup> Allan M. Williams, "Socialist Economic Policies: Never Off the Drawing Board?," Gallagher and Williams, eds., *Southern European Socialism*, pp. 189-191.

<sup>21</sup> Christos Lyrantzis, "PASOK in Power: The Loss of the 'Third Road to Socialism,'" Gallagher and Williams, eds., *Southern European Socialism*, pp. 42-43. See also James Petras, "The Contradictions of Greek Socialism," *New Left Review*, May-June 1987, pp. 3-27, and Louis Lefebvre, "The Socialist Experience in Greece," *International Journal of Political Economy*, Winter 1989-90, pp. 32-55."

<sup>22</sup> Stephen Hellman, "Politics Italian Style," *Current History*, November 1988, pp. 367, 394.

lasted three years, a record among post-war regimes. It is noteworthy for starting a process of privatization of industry and pressing the unions for major concessions. It cut back on wage increases, regulated strikes, and reformed the welfare state, "gradually increasing the retirement age and adding tougher standards for disability pensions."<sup>23</sup> Rent control was gradually relaxed in order to open the housing market.<sup>24</sup>

The Socialists have gained electorally to the point where they now threaten the PCI dominance of the Left. For the first time since the war, the PSI secured a higher percentage of the votes than the Communists, in the May 1989 25 local government elections; 19.1 percent compared to 16.9.<sup>25</sup> During the seventies, the PCI generally gained about one third of the vote, while the Socialists hovered near the 10 percent level.

As the Italian Communists declined in votes and membership from their high point in 1976, they sought to modernize their appeal by emphasizing their independence from the Soviet Union, commitment to a multi-party pluralistic system, approval of Italian membership in NATO and, increasingly, rejection of Marxism. The latter was marked by explicit recognition of the virtues of a market economy, even before Gorbachev came to office in the Soviet Union.<sup>26</sup> In early 1989, Daniel Singer noted that the party had

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<sup>23</sup> Spencer M. DiScala, *Renewing Italian Socialism: Nenni to Craxi* (New York: Oxford University Press, 1988), pp. 221-222.

<sup>24</sup> *Ibid.*, pp. 213-214.

<sup>25</sup> "Italian Socialists Pass Communists at Polls," The New York Times, June 1, 1989, p. A12.

<sup>26</sup> Alan Riding, "Italy's Battered Communists Reinvent Themselves Again," The New York Times, March 25, 1989, p. A8; see also Jeffrey Godmin, "Europe's Extremes," The American Enterprise, July/August 1990, p. 40.

given up "attacking capitalism. It has become a social democratic party in all but name, ... [and] proposes to leave the Communist group in the European Parliament in Strasbourg in favor of the Socialist one...."<sup>27</sup>

Achille Occhetto, the PCI Secretary, proclaims, "We are not part of an international Communist movement.... There is absolutely nothing left of Communism as a unitary and organic system."<sup>28</sup> The ultimate change is to give up its name, and Secretary Occhetto proposes "to 'refound' the party under a 29 new name ... [and] to join the Socialist International."<sup>29</sup> In October 1990, the PCI was renamed the Party of the Democratic Left. Occhetto insists: "We want democracy/ no longer as a means to achieve socialism, but to achieve democracy as a universal end in itself. If our party were in America, we might call ourselves the Liberal Party." And in commenting favorably about the American political system, he describes it as "a system of alternatives, of weights balanced against counterweights, that allows moral questions to be solved better" than in Italy.<sup>30</sup>

In Spain, Socialist Premier Felipe González, re-elected to a third term in 1989, converted his party, Marxist in its initial post-Franco phase, to support privatization, the free market and

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<sup>27</sup> Daniel Singer, "Achille's Gamble," *The Nation*, April 24, 1989, p. 545; Alan Riding, "Italy's Communists Try Not To Be Ideologues," *The New York Times*, May 7, 1989, IV, p. 3.

<sup>28</sup> Clyde Haberman, "Chinese Upheaval Shakes Italy's Communists," *The New York Times*, June 9, 1989, p. A13.

<sup>29</sup> "Meanwhile, Elsewhere in Europe," *The Economist*, November 18, 1989, p. 58; Clyde Haberman, "Italy Communists Will Change Name," *The New York Times*, November 26, 1989, p. Y9.

<sup>30</sup> Jennifer Parmalee, "Italian Communist Chief Reshaping Party Image," *The Washington Post*, May 16, 1989, p. A12.

NATO.<sup>31</sup> Some years ago, he noted in a near Churchillian formulation that a competitive free market economy is marked by greed and corruption, and results in exploitation of the weak, but "capitalism is the least bad economic system in existence."<sup>32</sup> More recently, in 1988, he commented, "My problem is not that there are rich people, but that there are poor people," in seeking to justify an emphasis on economic growth rather than redistribution.<sup>33</sup> González' successful efforts to foster growth and reduce inflation have involved policies described as making his government "look somewhat to the right of Mrs. Thatcher's."<sup>34</sup> They include "low wage increases ... [and] tight money" policies which have led to conflicts with the unions.<sup>35</sup> Following his narrow electoral victory in October 1989, González reemphasized the need to "pursue policies attractive to Spanish business executives and foreign investors," to continue the country's high economic growth rate. These hit the intended target. In reviewing the factors underlying the Socialist triumph at the polls, Alan Riding, a New York Times correspondent, quotes a leading industrialist that "The new right supports the Socialists. They ... are completely committed to the market economy."<sup>36</sup>

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<sup>31</sup> For an overall view see Donald Share, "Dilemmas of Social Democracy in the 1980s: The Spanish Socialist Workers Party in Comparative Perspective," Comparative Political Studies, October 1988, pp. 408-435.

<sup>32</sup> Quoted in Gallagher and Williams, "Introduction," p. 3, (emphasis added, SML).

<sup>33</sup> "Leader of the Pack," The Economist, March 11, 1989, Survey Spain.

<sup>34</sup> "As González Glides Rightward," The Economist, February 11, 1989, p. 43.

<sup>35</sup> "The Next Transition," The Economist, March 11, 1989, Survey Spain.

<sup>36</sup> Alan Riding, "The Spanish Victory: A Mandate for the Socialists," The New York Times, October 31, 1989, p. A3.

## France

The same wave of ideological and programmatic moderation is cresting north of the Alps and Pyrenees. In France, socialists have "come to realize that the creation of wealth must be given priority over the re-distribution of wealth to the less well-off."<sup>37</sup>

The French socialists, under Francois Mitterrand, sought in 1981 to implement their historic commitments to nationalization and income redistribution, but witnessed these changes producing economic reverses "and by the spring of 1983 they had effectively reversed almost every priority of their original plan." Minister Jacques Delors acknowledged: "The Socialists are in the process of making the adjustment that the Barre government [the conservative administration they had attacked and defeated in 1981] did not dare to do, politically or in terms of the social classes."<sup>38</sup> Nationalization turned out to be an economic disaster. Faced with the need to compete on the international market, "the government adopted a program of controlled austerity. Wages were deindexed, which meant their real value fell and profits absorbed all of the positive gains from productivity."<sup>39</sup>

Mitterrand won re-election in 1988. His new Prime Minister, Michel Rocard, the leader of the social democratic forces in the party, resembles Craxi and González in his approach to politics and economics. He, too, argues that the road to social and economic justice paved with increased investment enhanced by tax

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<sup>37</sup> William Randolph Hearst, Jr., "American Trade and Aid," San Francisco Examiner, November 5, 1989, p. A25.

<sup>38</sup> Michael Harrington, The Next Left. The History of a Future (New York: Henry Holt & Co., 1989), p. 116. See also pp. 116-140 for an excellent account of the changes.

<sup>39</sup> Ibid., p. 139.

cuts. He and his Finance Minister, Pierre Bérégovoy, have emphasized the need for wage restraint, while putting off income redistribution.<sup>40</sup>

In the 1980s, the Socialists moved away from their historic hostility to business as they came to acknowledge that entrepreneurship is the power behind increased productivity, behavior minimally present in state-owned industry. "Once the Socialists had understood that the goose of capitalism did not automatically lay the golden egg, they began to revise their ideas of the importance of enterprise, the entrepreneur and profit."<sup>41</sup> Jean-Pierre Chevenement, Minister of Industry and Research, noted the need to give "industry the respect it has always been begrudged in our country."<sup>42</sup>

During the 1988 election, Mitterrand and Rocard took the unusual step of arguing that it would be bad for the country if one party, their own, had a majority in Parliament as well as the presidency. The president said, "It is not healthy for one party to govern." In effect, they argued that middle-of-the-road centrist government is preferable to control by an ideological tendency. Rocard in fact publicly promised an "opening to the centre."<sup>43</sup> Not surprising is the survey finding that as of the start of the nineties, "61 percent of the French public see no difference between left and right."<sup>44</sup>

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<sup>40</sup> "Very Soft Left," *The Economist*, July 9, 1989, p. 42. See also Howard LaFranchi, "Socialist Party Searches for Identity," *The Christian Science Monitor*, March 5, 1990, p. 4, and David Bell, "Parti Games," *New Statesman and Society*, March 16, 1990, p. 21.

<sup>41</sup> Julius W. Friend, Seven Years in France: Francois Mitterrand and the Unintended Revolution, 1981-1988 (Boulder, CO: Westview Press, 1989), p. 11.

<sup>42</sup> Quoted in Suzanne Berger, "French Business from Transition to Transition," George Ross, Stanley Hoffman and Sylvia Malzacher, eds., The Mitterrand Experiment, Continuity and Change in Modern France (New York: Oxford University Press, 1987), p. 192.

<sup>43</sup> "France's Fifth Republic Sure-footed," The Economist, October 1, 1988, p. 20.

<sup>44</sup> Bell, "Parti Games," p. 21.

## Germany and Austria

The Social Democrats of Germany and Austria rejected Marxism in favor of populist, rather than class, allegiance earlier than most of their continental brethren. As noted earlier, the German party set the path for the other affiliates of the International in its 1959 Bad Godesberg program. A recent history of Germany notes: "The program represented a fundamental shift in philosophical direction for the party, from primary emphasis on Marxism and Marxist solutions for problems of social and economic life, to primary emphasis on recognizing the achievements of liberal capitalism... It therefore rejected the goal of state ownership of the means of production...."<sup>45</sup> As political scientist Russell Dalton emphasizes, "Karl Marx would have been surprised to read this Godesberg program and learn that free economic competition was one of the essential conditions of a social democratic economic policy."<sup>46</sup> Speaking in 1976, Social Democratic Chancellor Helmut Schmidt noted his party's interests in extending profits: "The profits of enterprises today are the investments of tomorrow, and the investments of tomorrow are the employment of the day after."<sup>47</sup> The Social Democrats, when heading the government from 1969 to 1982, did not press for structural or other major changes.

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<sup>45</sup> Dennis L. Bark and David R. Gress, *From Shadow to Substance 1945-1963* (Oxford: Basil Blackwell, 1989), p. 445; Adolf Sturmthal, *Left of Center. European Labor Since World War II* (Urbana: University of Illinois Press, 1983), pp. 54, 59-66; Andrei S. Markovits, *The Politics of West German Trade Unions* (Cambridge: Cambridge University Press, 1986), pp. 91-93.

<sup>46</sup> Russell V. Dalton, *Politics in West Germany* (Glenview, IL: Scott, Foresman and Co., 1989), pp. 260, 286; Gerard Blumenthal, "The Social Democratic Party," H.G. Peter Wallach and George K. Romoser, eds., *West German Politics in the Mid-eighties: Crisis and Conformity* (New York: Praeger Publishers, 1989), p. 84. The German trade union federation, the DGB, also drastically modified its commitment to statism in its 1983 Dusseldorf Program which revealed "an awareness that the scope and quality of investments represented a key ingredient for the success and failure of a modern economy." The document "mentioned planning as only a small part of an overall framework for an otherwise competitive market economy." Markovits, *The Politics*, p. 103.

<sup>47</sup> Quoted in Adam Prezeworski, *Capitalism and Social Democracy* (Cambridge: Cambridge University Press, 1985), p. 43.

Proposed "reforms such as vacations from work for educational purposes, the building of investment funds in the workers' hands - as a contrasting program to nationalization - ... were largely dropped from the [Schmidt] government's agenda." To control the national debt, the cabinet in the early eighties publicly considered major cuts in social services for the lowest strata and in unemployment insurance, programs adopted by their Christian Democratic successors.<sup>48</sup>

After leaving office, the SPD sought to evaluate its basic commitments. In 1984, a party commission established to analyze the future of the welfare state noted that Social Democrats could "defend the welfare state successfully against its conservative and liberal critics only if they call publicly for its comprehensive reform." It concluded that "the economy simply will not support a social policy that aims solely at increasing the relative share of the social budget in the national income." Just to maintain existing social services will require a "substantial increase in taxes," about which the commission was dubious as being "either possible or desirable."<sup>49</sup>

During the eighties, the SPD lost electoral support to the Greens. In reaction, at a national conference in December 1989, it adopted the Berlin Programme "described as Bad Godesberg plus feminism and environmentalism."<sup>50</sup> It notes that within "the

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<sup>48</sup> Klaus von Beyme, "Policy-making in the Federal Republic of Germany: A Systematic Introduction," Klaus von Beyme and Manfred G. Schmidt, eds., Policy and Politics in the Federal Republic of Germany (London: Gower, 1985), pp. 9-10.

<sup>49</sup> SPD paper on "The Future of the Social Welfare State," reprinted in Peter J. Katzenstein, Policy and Politics in West Germany (Philadelphia: Temple University Press, 1987), pp. 204-205. See also Markovits, The Politics, p. 428.

<sup>50</sup> David Goodhart, "SPD Agrees Programme Under Shadow of German Question," Financial Times, December 21, 1989, p. 2.

democratically established setting, the market and competition are indispensable. The incalculable variety of economic decision-making is effectively coordinated through the market.... Competition benefits consumers and their free purchasing choice. The market is an instrument for attaining a balance between supply and demand."<sup>51</sup> Oskar Lafontaine, Vice-President and the party's candidate for Chancellor in the 1990 election, whose major following is among "the new middle class," seeks to deemphasize government intervention in the economic process. He states categorically: "Either you abolish the system, or you stick to the rules of the game."<sup>52</sup> These policies have won the SPD support among some "modern entrepreneurs," most notably Daimler-Benz (Mercedes) board president Edzard Reuter, who is a dues-paying party member.

The Austrian party has held office either alone or in coalition with its major rival since World War II. The country has more public ownership than any other western society as a result of the nationalization of all German-owned property at the end of the war. But the nationalized firms have operated like private companies with respect to investment decisions, collective bargaining, and dividends. The government has not attempted economic planning.<sup>53</sup> Regardless of electoral outcomes, business, unions and government have adhered to a corporatist alliance policy designed to maintain economic stability, avoid strikes, and foster growth. The party-linked unions have "accepted lowish wage

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<sup>51</sup> Basic Policy Programme of the Social Democratic Party of Germany (Bonn: The SPD National Executive Committee, 1990), pp. 40-41.

<sup>52</sup> "SPD Debate Over Lafontaine Reform Continues," Foreign Broadcast Information Service, Federal Republic of Germany, February 7, 1989, pp. 19-20.

<sup>53</sup> Peter J. Katzenstein, Corporatism and Change: Austria, Switzerland and the Politics of Industry (Ithaca, NY: Cornell University Press, 1984), pp. 49-51, 65.

settlements and so helped keep costs down.”<sup>54</sup> The party in government “pursues politics that focus on growth rather than redistribution.”<sup>55</sup> From the mid-eighties on, as the country faced increasing economic difficulties and large budget deficits, the Socialist-led administration under Franz Vranitzky initiated a policy of gradual denationalization and deregulation.<sup>56</sup> State-owned banks and industries have either been sold to private companies, both domestic and foreign, or their shares have been floated on Austrian and foreign stock exchanges. These include energy, railway, mining, steel, plastics and other businesses.<sup>57</sup> Socialist Finance Minister Ferdinand Lacina has reduced income taxes and is pressing to reform the pension system to allow private schemes.<sup>58</sup>

Both German-speaking parties continue to adhere to the Bad Godesberg orientation. They have accepted the monetarist tight money policies of the Bundesbank (which Austria follows since the schilling is tied to the mark). Given the existence of three parties, which makes it almost impossible to project majority governments, the Social Democrats do not differ much in domestic policy terms from their major Christian Democratic and People's

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<sup>54</sup> “Austria: The Shadow of the Past,” *The Economist*, February 25, 1989, Austria Survey, p. 7.

<sup>55</sup> Peter J. Katzenstein, *Small States in World Markets; industrial Planning in Europe* (Ithaca, NY: Cornell University Press, 1985), pp. 88-89.

<sup>56</sup> Wolfgang C. Mueller, “Privatizing in a Corporatist Economy: The Politics of Privatization in Austria,” *West European Politics*, October 1988, pp. 108-113.

<sup>57</sup> Clifford Stevens, “Austria Begins Denationalization Policy to Stem Losses, Finance New Investment,” *The Wall Street Journal*, October 27, 1986, p. 35; Diana Federman and Clifford Stevens, “Austria Looks West for Help in Rejuvenating Economy,” *The wall Street Journal*, May 20, 1987, p. 30; “Austrian Privatization,” *The New York Times*, November 17, 1988, p. D21; “Austria,” *The Economist*, Austria Survey, pp. 8-9, 14.

<sup>58</sup> *Ibid.*, p. 15.

Party rivals. Essentially the national politics of the two countries are characterized by competition between the center-left and the center-right. In Germany, the Socialists have been more critical of the close American connection and more supportive of environmental reforms than their major opponents.

### Scandinavia

If we look north to the heartland of European socialist strength, Scandinavia, the story can be reiterated. The electorally most powerful socialist party, the Swedish Social Democrats, which has held office since the early thirties with the exception of two terms between 1976 and 1982, has reversed its wage growth, high income tax, heavy welfare spending orientations. Ironically, "the so-called 'bourgeois-parties' - Liberals, Centre, and Conservatives - nationalized more industry during their first three years in office [1976-1979] than the Social Democrats had done in the previous forty-four years. And since they returned to office in 1982, the Social Democrats have undertaken several privatization measures."<sup>59</sup> Further, "with the agreement of the unions, [Socialist Premier] Palme devalued the Swedish Krona, made exports more competitive, increased employment and reduced the real income of those with a job, most of whom had voted for him. But Sweden (and Austria, which followed similar policies) has a labor movement that ... is committed to 'solidaristic' values," that is, willing to "articulate a 'general interest' rather than the particular demands of a sector of the work force."<sup>60</sup>

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<sup>59</sup> Jonas Pontusson, "The Triumph of Pragmatism: Nationalization and Privatization in Sweden," *West European Politics*, October 1988, pp. 129, 133-136.

<sup>60</sup> Harrington, The Next Left, pp. 130-131, emphasis in original. See also Sven Steinmo, "Social Democracy vs. Socialism: Goal Adaptation in Social Democratic Sweden," Politics and Society, December 1988, p. 434.

The Swedish Social Democrats decided in the mid-seventies to channel corporate taxes into a "worker-controlled" mutual fund to gradually buy up stock in large corporations. "In this form, the funds would have been a way of creating decentralized social ownership, which would eventually control the commanding heights of the Swedish corporate economy." The proposal was, however, drastically modified to set a limit of "8 percent of the stock in a given corporation." The public debate on the issue revealed that "the population as a whole, and even socialist voters were often negative about the reform," because they feared it would give the state too much power.<sup>61</sup>

Klas Eklund, a leading party economist, noted at the end of the 1980s that, "The traditional Social Democratic strategy of the post-war period is no longer viable. That was to recognize a need, create a public service project to 62 fulfill that need, and then raise taxes for it."<sup>62</sup> The party has been pursuing a vigorous tax cutting strategy as well as trying to curtail entitlements. The Finance Minister for most of the eighties, Kjell-Olof Feldt, sought to reduce sharply the progressivity of his country's tax system, and emphasized the need for "accepting private ownership, the profit motive and differences of income and wealth." Writing in the Social Democratic party's magazine, he stated: "The market economy's facility for change and development and therefore economic growth has done more to eliminate poverty and 'the exploitation of the

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<sup>61</sup> Harrington, *The Next Left*, p. 161. See also Jonas Pontusson, "Radicalization and Retreat in Swedish Social Democracy," *New Left Review*, September/October 1987, pp. 17-22.

<sup>62</sup> Steven Greenhouse, "Sweden's Social Democrats Veer Toward Free Market and Lower Taxes," *The New York Times*, October 27, 1989, p. A3, see also Henry Milner, *Sweden Social Democracy in Practice* (New York: Oxford University Press, 1989), p. 211.

working class' than any political intervention in the market's system of distribution."<sup>63</sup> Feldt argued that the party "must not ... become the anti-capitalist party."<sup>64</sup> He therefore urged a "greater market orientation," and insisted the growth of the welfare state must cease. Given increasing complaint about "the uneven state of health care, education and day care, the Government is seeking to inject more competition into providing services to increase quality and efficiency." Some Social Democrats have proposed to privatize some of the basic services, including hospitals.<sup>65</sup>

Swedish tax policy reflects these orientations. As Sven Steinmo points out: "In Sweden ... taxes on corporate profits are inversely related to both profitability and size. In other words, the larger and more profitable a corporation, the lower its tax rate.... In 1980 among the OECD countries, Sweden had the ... lowest yield from corporate taxes. The Swedish taxes that are exceptionally onerous in comparative perspective are the flat-rate local income tax (30 percent on average), the national VAT (24 percent), and the flat-rate social security tax (36 percent).... In addition, Social Democratic government policies have specifically encouraged the concentration of capital."<sup>66</sup> The revenues lost by the 1990-91 cut in the top rates for personal and corporate income tax will be replaced by extending the value added tax "to a wider

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<sup>63</sup> Quoted in "Mensheviksson," The Economist, April 1, 1989, pp. 42-44. See also Steinmo, "Social Democracy," p. 434.

<sup>64</sup> For a profile of Feldt, his ideology and influence in the party, see Robert Taylor, "The Acceptable Face of Socialism," Financial Times, June 16, 1988, IV, p. 4.

<sup>65</sup> Greenhouse, "Sweden's Social Democrats."

<sup>66</sup> Steinmo, "Social Democracy," pp. 407, 411. See also "The Swedish Economy Survey," The Economist, March 3, 1990, Survey pp. 10, 16, 18.

range of goods and services...."<sup>67</sup>

The government's program for the nineties calls for cutting the rate paid by most Swedes, including the wealthy and corporations, in an effort to encourage people to work longer and invest more.<sup>68</sup> Gunnar Lund, an assistant secretary of finance, noting "the low number of hours worked per capita ... as a major cause of the [country's] economic woes," argued that "tax reform should stimulate people to work more and save more."<sup>69</sup> In October 1990, faced with severe economic problems and a declining currency, the cabinet proposed sharp cuts in social welfare programs, including the sickness insurance system, a reduction in "the proportion of national resources devoted to the public sector," and restrictions on wage increases.<sup>70</sup> Not surprisingly, a sympathetic British analyst notes: "Faced with contemporary economic problems, the social democratic government appears to have found certain Reaganite/Thatcherite principles uncharacteristically convenient."<sup>71</sup>

The Norwegian social democrats, who formed a minority government in October 1990, following a year out of office, have been trying to follow the policy lead of their Swedish neighbors. The earlier Labor government had prevented wage increases and devalued the currency, successfully reducing inflation, although

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<sup>67</sup> L. Gordon Crovitz, "Sweden's Crackup. Eastern Europeans Learn There's No Middle Way," Barron's, July 23, 1990, p. 10.

<sup>68</sup> "Sweden's Nice Reform, Nasty Burden," The Economist, November 11, 1989, pp. 59-60.

<sup>69</sup> "Sweden Says Tax Overhaul Will Worsen Inflation Rate," The Wall Street Journal, November 14, 1989, p. A19.

<sup>70</sup> Robert Taylor, "Sweden's Climate Becomes More Austere," Financial Times, October 22, 1990, p. 4.

<sup>71</sup> Tony Spybey, "Heart of Palme," Times Higher Education Supplement, October 19, 1990, p. 32.

the unemployment rate doubled.<sup>72</sup> During the eighties, the party "pursued a programme of active 'self-criticism' in relation to its [traditional] ideological profile. This programme has ... [been intended] to dissociate the party once and for all from the language and symbols of Marxism; and to make the party more flexible and competent as an all-round instrument for managing 'post-industrial' or 'late-capitalist' society." Norwegian political scientist William Lafferty anticipates that the ideological outcome of the process will be one in which "capitalism would no longer be perceived as the antithesis of socialist humanism; markets would no longer be understood as undesirable aberrations of rational planning ...; class conflicts and class interests would no longer be understood as either irrevocable or determinative..."<sup>73</sup>

Social democracy in Denmark has always been the most moderate, least anti-capitalist in Scandinavia, in part because of the slower pace of early industrialization and greater continuity with pre-industrial structures.<sup>74</sup> As Gosta Esping-Andersen notes: "Probably no other socialist party has made its peace with parliamentary democracy and capitalism so subtly as the Danish party.... Danish social democratic economic policy has been imprisoned in the liberal [market] mold."<sup>75</sup>

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<sup>72</sup> Steven Prokesch, "Non-Socialists Lead in Norwegian Vote," The New York Times, September 12, 1989, p. A3.

<sup>73</sup> William M. Lafferty, "The Political Transformation of a Social Democratic State. As the World Moves in, Norway Moves Right," West European Politics, January 1990, pp. 98-99; for comparable developments in the Netherlands, see Rudy B. Andeweg, "Less Than Nothing? Hidden Privatisation of the Pseudo-Private Sector: The Dutch Case," West European Politics, October 1988, pp. 117-128.

<sup>74</sup> Seymour Martin Lipset, Political Man: The Social Bases of Politics (Baltimore: Johns Hopkins University Press, 1981 expanded edition), pp. 54-55.

<sup>75</sup> Gosta Esping-Andersen, Politics Against Markets: The Social Democratic Road to Power (Princeton: Princeton University Press, 1985), pp. 196, 215.

### Britain and Canada

The British Labour Party, the most important opposition left movement in Europe, has suffered three successive electoral defeats to Margaret Thatcher's Tories. Before Neil Kinnock led it into the ranks of the social democratic moderates in 1989, Labour had more statist and trade union oriented economic policies than any other social democratic party, as well as the most dovish foreign policy. By moving his party toward the center, Kinnock hopes to reassemble the scattered votes of splinter groups on the edge of Labour's right.

In summing up the conclusions of a two year policy review issued in May 1989, the party's leaders noted that it "has dropped its commitment to old-style nationalization and to unilateral disarmament, and has learned to love the market, consumers and capitalism."<sup>76</sup> The Economist comments that they "talk like a Michel Rocard or a Felipe González."<sup>77</sup> The market is now seen as the "main motor of economic activity."<sup>78</sup> David Marquand, an intellectual leader of the Democratic Liberal party, who quit the Labour party as too left, now notes "there can be no doubt that Labour ... has become another European social-democratic party committed to ... [a] mixed economy... Labour has ... taken a giant stride to the centre."<sup>79</sup>

Neil Kinnock argues that his party's efforts should be addressed to making capitalism "work more efficiently, more fairly and more successfully in the world marketplace," that to continue to advocate nationalization of industry is

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<sup>76</sup>"Labour Does Its Best," The Economist, May 13, 1989, p. 20.

<sup>77</sup> "To the Boats for the Tories?" The Economist, March 17, 1990, p. 13.

<sup>78</sup> "Modern Times, Labour-Style," The Economist, May 13, 1989, p. 61.

<sup>79</sup> David Marquand, "Don't Be a Chip Off the Old Blockers," The Guardian, June 12, 1989, p. 16. See also Marquand, "Keep Right On," The New Statesman and Society, June 21, 1989, pp. 20-21.

"not socialism; that is dreaming."<sup>80</sup> Almost paraphrasing Oskar Lafontaine, he noted in 1989: "The economy that we are faced with is a market economy, and we have got to make it work better than the Tories make it work."<sup>81</sup> The party's most recent policy statement, Looking to the Future, has, however, given up the commitment to "full employment or even to a measureable reduction in unemployment," which is much higher in Britain than in the United States.<sup>82</sup> Commenting on this manifesto, The New Statesman contends that Kinnock is "playing the George Bush 'read my lips' game..." He proposes to fight "the election on the Tories' terms ... promising financial discipline ... that there will be no significant increases in direct taxation..."<sup>83</sup> In its 1983 program, Labour stated that at its heart is a "partnership with the trade unions." In 1990, however, the party proclaimed, "We will create a new and vigorous partnership between government and both sides of industry."<sup>84</sup> Following the Liberal Democrats' 1990 national conference, the left-wing magazine noted that the centrist third party is now "to the left of Labour ... [although] it might still seem strange to claim the former Liberals are outflanking the former socialists. Just ask, though, which party proposes more change likely to upset the privileged and powerful in Britain today?"<sup>85</sup> Noting these developments, the

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<sup>80</sup> Quoted in Jeff Greenfield, "Challenging the Liturgy," The West Side Spirit, May 28, 1989, p. 13. See also Hobsbawm, "Lost Horizons," p. 16.

<sup>81</sup> Quoted in Craig R. Whitney, "Is He a Match For Thatcher?" The New York Times Magazine, July 15, 1990, p. 36.

<sup>82</sup> Karel Williams, John Williams and Colin Haslam, "No Job for the Social Scapegoat," The Times Higher Education Supplement, August 17, 1990, p. 11.

<sup>83</sup> "Tax Evasion," The New Statesman and Society, June 1, 1990, p. 4.

<sup>84</sup> "On Second Thoughts," The Economist, September 29, 1990, p. 64.

<sup>85</sup> "Editorial Trading Places," The New Statesman and Society, September 21, 1990, p. 4.

Financial Times editorializes Labour's "acceptance of the market, of many of the Conservative Government's reforms of labour relations, of most of its privatizations, and of limited room to increase public spending are all homage, however unwilling to the Prime Minister," i.e., to Margaret Thatcher.<sup>86</sup> A June 1990 survey of British business executives, while finding them still dubious of Labour because of "their experience of the 1970s," concludes that the party's recent efforts "to present a more responsible image to business" have been successful in that "the Conservatives can no longer rely on fear of a Labour government to rally business support."<sup>87</sup>

Labour's shift to the right, in the context of the collapse of communism and the end of the cold war, has led to a revival of a pro-American foreign policy.

The Labour Party is even beginning to present itself, rather daringly, as the preferred ally of a Republican president. Mrs. Thatcher's tirades against Europe and foot-dragging on disarmament have, the theory runs, irreparably soured her relations with the White House. Britain under Atlee was the US's number one cold war ally; Britain under Kinnock is the ideal partner for more temperate times.<sup>88</sup>

A small Commonwealth oppositionist social democratic party, the New Democrats of Canada, has followed Labour's lead. Ed Broadbent, the then leader of the party, noted in 1989, "The serious debate about the future is not about the desirability of a market economy. For most thoughtful people that debate is now closed.... We New Democrats believe in the marketplace, including private investment decisions, reduced tariffs, private property,

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<sup>86</sup> "Labour and the Economy," Financial Times, May 21, 1990, p. 14.

<sup>87</sup> Charles Leadbeater, "Business Still Cautious of Labour," Financial Times, July 15, 1990, p. 6.

<sup>88</sup> Sarah Baxter, "Them and US," The New Statesman and Society, August 17, 1990, p. 6.

the free disposal of assets, the right to make a profit, decentralized decision making.... As the world evolves so must our policies."<sup>89</sup>

The NDP, always much stronger in provincial than in national elections, won a majority of the seats in Canada's wealthiest and most populous province, Ontario, in September, 1990, albeit with 38 percent of the vote. Although the party campaigned on the need for more expenditures on welfare and higher taxes on corporations, the leaders are not radical.<sup>90</sup> An article in the conservative and business oriented Globe and Mail noted, "the Ontario NDP is led by people who have trouble talking about economic socialism without coughing.... What they believe is that they can administer free-market capitalism more humanely than the free-market capitalists."<sup>91</sup> The social democratic Premier Bob Rae "pledged to consult with business leaders and to run a fiscally responsible government." In reply to fears that he would be anti-business, he said: "Nobody knows better than working people that their jobs depend on a healthy economy."<sup>92</sup> He backtracked on a policy of public ownership of utilities in approving the sale of Canada's largest natural gas distribution company to a British firm. Rae noted that the decision "sends a signal to those considering investments in Ontario that 'we're ready to do business in the province...that we're practical people....'" Admitting that he had advocated

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<sup>89</sup> Quoted in Charlotte Gray, "Designer Socialism," Saturday Night, August 1989, p. 8. 90.

<sup>90</sup> Seymour Martin Lipset, "Anti-Incumbency: In Canada, Too?" American Enterprise, November/December, 1990, pp. 22-23.

<sup>91</sup> Michael Valpy, "Brushing Away Chaff From Election Thinking," The Globe and Mail, September 6, 1990, p. A5A.

<sup>92</sup> Barry Brown, "Ontario's New Leader Hits Trade Pact," The Washington Times, September 10, 1990, p. A10.

nationalization of the company, he said he had changed his mind after taking office because "the cost was simply too high."<sup>93</sup> The realities of the market place have forced the NDP "to drop a campaign promise on rent controls and seek a system that will please landlords as well as tenants." This refers to a pre-election commitment to eliminate "bonuses to landlords for capital or financing costs."<sup>94</sup>

The major social democratic movement in French Canada, the nationalist Parti Quebecois (PQ), held office provincially from 1976 to 1985. Its record in government resembles that of the French Socialist Party. Initially it introduced a variety of social democratic measures, including nationalization of a few industries, increase in the minimum wage, and improvements in state medical care provisions. But faced with problems of growing inflation and unemployment, the Quebec social democrats retreated. They "began to question the efficiency of nationalized industries as early as 1978, and more recent economic thinking builds more on the role of the private sector." In the early eighties, they cut public expenditures sharply, including the real income of state employees, which led to bitter struggles with the government workers and their unions.<sup>95</sup> Since losing office, the PQ has further deemphasized the statist elements in its ideology.

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<sup>93</sup> Richard Mackie, "Ontario Approves Consumers' Gas Sale," *The Globe and Mail*, November 8, 1990, p. B1.

<sup>94</sup> Richard Mackie, "NDP Won't Keep Promise on No-Loophole Rent Controls," *The Globe and Mail*, November 8, 1990, p. 1.

<sup>95</sup> John Fitzmaurice, *Quebec and Canada, Past, Present and Future* (London: C. Hurst and Company, 1985), pp. 198-200.

Asia: Japan and Israel

This review of socialist ideological moderation in the eighties concludes by turning to the two economically developed and democratic Asian polities, Japan and Israel. The Japanese Socialist party (JSP), which had dwelt in a Marxist and neutralist electoral ghetto without formulating policies to challenge the long governing Liberal Democrats, finally, as a result of scandals by the governing party, wakened in 1989 to the challenge of gaining power. Its first woman party leader, Takako Doi, emphasizes a determination to break through the "inertia of eternal opposition" by 96 reaching out "to all segments of the population."<sup>96</sup> Another party official, Sukio Iwatare, states in astonishment, "We're discussing compromise," a concept which he finds alien to a once dogmatic Marxist party "accustomed to being irrelevant." Doi notes that her party is not "interested in nationalizing Japan's private industries..."<sup>97</sup> She "no longer talks about dismantling Japan's military forces, abandoning its 29-year old security treaty with the United States, or shutting down the 98 nuclear power plants that supply Japan with a third of its electricity."<sup>98</sup> An analysis of party policy in The Japan Economic Journal comments that under Doi the "JSP supports the capitalist economy, no longer seeks the nationalization of corporations, and supports free trade," and is softening its

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<sup>96</sup> "Doi Says JSP Will Shift Gears to Fulfill Campaign Promises," The Japan Times, August 13, 1989, p. 1.

<sup>97</sup> Steven R. Weisman, "After Victory, Japan Leftists Face Scrutiny," The New York Times, July 30, 1989, p. 9.

<sup>98</sup> David E. Sanger, "Japan's Opposition Tailors Itself to the Mainstream," The New York Times, July 21, 1989, p. A3.

position on regulation.<sup>99</sup> The Economist's Tokyo correspondent reports that "most Socialists agree that state controlled economies have failed miserably."<sup>100</sup> As a result, according to political scientist Masataka Kosaka, "few Japanese ... believe that Japan would go socialist under the Socialist party. For the first time Japan is relaxed about the prospect of socialist rule."<sup>101</sup> Foreign business experts agree that Japanese "businesses don't ... fear a Socialist government." Chris Russell, the head of equities analysis at a leading securities firm operating in Tokyo, even argues that "the Socialist Party of Japan is to the right of many right-wing parties in other countries ... the policies of a Socialist government wouldn't be that dramatically different from that of the LDP."<sup>102</sup>

At the other end of Asia, a similar outcome has occurred in Israel; the transformation of a committed socialist movement with personal and ideological roots in eastern Europe and Russia into one which accepts the need for a market economy as the foundation of a strong national economy and an increased standard of living for the large depressed sector. Long predating the establishment of the state of Israel in 1948, a predominately collectivist society had emerged, "spearheaded by individuals and institutions ... deeply committed to a socialist-Zionist ideology ... the trade-union movement [the Histadrut], the left-of-center political parties, and the

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<sup>99</sup> Sumio Kido, "JSP Battling Image as Party of Idealists," The Japan Economic Journal, August 12, 1989, p. 6; "JSP Leaders Want to Drop Goal of Socialist Revolution," The Japan Times Weekly International Edition, March 26-April 1, 1990, p. 2.

<sup>100</sup> "How Doi Might Do It," The Economist, July 29, 1989, p. 30.

<sup>101</sup> Sanger, "Japan's Opposition."

<sup>102</sup> Susan Moffat, "Maybe Japan Doesn't Really Need Political Leadership," The Japan Times, August 14, 1989, p. 17.

Kibbutz [collective farm] movement."<sup>103</sup> From its origins in an immigrant settler society, the Histadrut has not only been a union, encompassing close to 90 percent of the employed labor force, but has also been the "nation's largest employer, owning factories, construction companies, ... transportation, farming, banking, publishing, cooperatives and medical services."<sup>104</sup> Hevrat Ovdim, the Histadrut holding company, employs 22 percent of the labor force. Its largest unit, Koor, a massive conglomerate listed by Fortune among the 500 largest corporations in the world, was responsible in 1987 for "10 percent of Israel's \$35 billion GNP, and for 12 percent of Israel's industrial exports."<sup>105</sup>

Socialist parties dominated the government from its inception in 1948 until 1977, and extended public ownership to various areas including airlines, shipping, railroads, airplane manufacturing, communications, utilities and chemicals. Considering all forms of non-profit business -producers' cooperatives, Histadrut and government - Israel has had the most socialized economy outside of the Communist world.

As Israel absorbed immigrant populations uncommitted to socialism, and developed economically with a steadily expanding private sector, many of its socialist institutions showed themselves to be either relatively (compared to independently owned companies) or absolutely (operating at a loss) inefficient. Enthusiasm for non-profit enterprise declined. The socialists lost control of the government in the 1977 elections and have not regained a majority since, although the Labor

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<sup>103</sup> Alan Arian, Ideological Change in Israel (Cleveland: The Press of Case Western Reserve University, 1968), p. 6.

<sup>104</sup> Ibid., p. 61.

<sup>105</sup> Benjamin Rubin, "Koor: Israel's Economic Crisis of Faith," Midstream, November 1989, pp. 3-4.

Party was part of a coalition government with the right-wing Likud party from 1986 to 1990.

Most Israeli academic economists, although supportive of the Left for its dovish foreign policy, now press the Labor party to accept free market policies. During the eighties, many of the non-profit institutions, such as the different companies owned by Koor and the various state enterprises, have been identified as candidates for privatization.

Although the Labor party and the Histadrut seek to preserve the kibbutzim, they increasingly accept the need to sell off much of the publicly- and worker-owned sector.<sup>106</sup> The state owned industries up for sale include the national airline El Al, Bezak Telecommunications, Israel Chemicals, and Zim Cables. Labor party leader Shimon Peres, who was first Prime Minister, and then Finance Minister in the 1986-1990 coalition government, argued, while in the latter office, that "his first priority is to encourage investment and to create jobs. Tackling social problems is secondary...." His economic advisors told him that to do this he must reduce the budget "by cutting down social expenditure," advice he accepted. Among other changes proposed by Labor's leader were abolition of free schooling and of subsidies on eggs and poultry, cuts in social insurance payments and family allowances, and the end of government housing mortgages for young couples.<sup>107</sup> His closest advisor, former deputy finance minister Yossi Beilin, is described by The Jerusalem Post as "a socialist, ... [who] strongly advocates privatization. Not only that: he lists the failure to expose all

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<sup>106</sup> Ralph Mandel, "Israel," American Jewish Year Book 1989, vol. 89 (New York: American Jewish Committee, 1989), p. 414; Judy Maitz, "No to Koor Write-off Plan," The Jerusalem Post International Edition, December 23, 1989, p. 5.

<sup>107</sup> N.D. Gross, "Hostile Reception for Peres Budget," The Jerusalem Post International Edition, December 30, 1989, pp. 1-2.

firms in the country ... to the tender mercies of unbridled competition as one reason for the lack of economic growth in Israel."<sup>108</sup>

The Histadrut has recognized the need to follow similar policies in the worker owned economy. Koor, faced with bankruptcy because it retained many unprofitable units, resisted discharging unnecessary workers, and agreed to wage increases unjustified by profits, has decided that it must sell out to private, inevitably foreign, investors.<sup>109</sup> The conglomerate has been in the process of shutting or selling off close to two dozen companies. Basically, Koor, like many social democratic and communist governments, is involved, in the words of one of its officials, in "a transition to a business basis of thinking." The Secretary General of the Histadrut, Yisrael Kesar, has noted the similarities between the problems facing his organization and the economies of eastern Europe in calling for "perestroika for the Histadrut," with the end of "financial aid for failing 110 operations."<sup>110</sup> Israeli socialists, like their compeers elsewhere, publicly accept the rules of the market.

### Europe

The greatest triumph for the socialists' historic internationalist values is the emergence of a united Europe, in whose Parliament they are the largest party. They and the Italian Communists have seen the cause of the Community as their own. Yet as Regis Debray, leading French intellectual and official advisor to Mitterrand on foreign affairs from

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<sup>108</sup> "The Socialist Who Pushes Privatization." The Jerusalem Post International Edition, June 16, 1990, p. 20.

<sup>109</sup> "Koor on the Block," The Jerusalem Post International Edition, January 20, 1990, p. 24.

<sup>110</sup> Rubin, "Koor," p. 7.

1983 to 1989, notes: "The freeing up of capital movements across borders in the liberal Europe of 1992 will substantially reduce tax revenues from capital gains, further increasing reliance on taxes from wages, while further diminishing the state's role in the redistribution of income."<sup>111</sup> And the European social charter explicitly acknowledges as a legally protected right "the freedom not to join a trade union."<sup>112</sup>

### Sources of Socialist Politics

Why have socialist parties around the developed world pursued the course of moderation? Why have they taken the road back to capitalism? There is obviously no simple or authoritative answer. Two sets of factors may briefly be suggested, especially adjustment to economic and electoral necessities. The shift was particularly enhanced from the mid-seventies on by the end of the long term period of steady growth, full employment and low inflation. The oil shock precipitated sharp price increases and recession across the developed world and undermined the belief in Keynesian policies, economic planning, and higher taxes to finance a continuing expansion of the welfare state.<sup>113</sup> Ironically, the classic economic assumption that profits are necessary for investment and economic growth has helped to lead once radical parties and unions to accept limits on wages. As Marxist student of social democracy Adam Przeworski emphasizes, social democrats now consciously seek to "protect profits from the

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<sup>111</sup> Regis Debray, "What's Left of the Left?," New Perspectives Quarterly, Spring, 1990, p. 27.

<sup>112</sup> "On Second Thoughts," p. 64.

<sup>113</sup> Leo Panitch, "The Impasse of Social Democratic Politics," Ralph Miliband, John Saville, Marcel Liebman and Leo Panitch, eds., The Socialist Register, 1985/6, (London: The Merlin Press, 1986), pp. 54-56.

demands of the masses because radical redistributive policies are not in the interest of wage-earners."<sup>114</sup> American socialist theoretician Michael Harrington also concludes that "the French example suggests that the Left should avoid trying to redistribute income by means of the wage system. That, as Mitterrand and company learned to their sorrow, acts as a disincentive to hiring people and, all other things being equal, leads to an increase in unemployment."<sup>115</sup> As noted, post-war experience has convinced the socialists that state enterprise is inefficient, that competition stimulates innovation. They also now acknowledge that extensions of the comprehensive welfare programs are overly costly and result in economic deficits and inflation, and that high taxes slow down economic growth.

Economic rationality is not the only cause of the policy changes. Electoral concerns are clearly also relevant.<sup>116</sup> World-wide structural trends, particularly in industrialized societies, have worked against the traditional Left. The proportion of the work force in manual and factory labor has been declining steadily, while that employed in positions requiring better education and scientific, technological and writing skills has

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<sup>114</sup> Prezeworski, *Capitalism and Social Democracy*, p. 43.

<sup>115</sup> Harrington, *The Next Left*, p. 151. Emphasis in the original. Another systematic comparative analyst of the movement, Anton Pelinka, also noted that "the influence of Social Democratic parties on the state ... and on society ... attenuates social conflicts, mitigating the contradiction between labor and capital" by enhancing "the probability of a cooperative stance on the part of the unions." Anton Pelinka, *Social Democratic Parties in Europe* (New York: Praeger, 1983), p. 103.

<sup>116</sup> For an excellent study of the ways the strongest social democratic party adapted its program to electoral needs, see Diane Sainsbury, *Swedish Social Democratic Ideology and Electoral Politics 1944-1948* (Stockholm: Almqvist and Wiksell, 1980)

been increasing.<sup>117</sup> The latter categories contribute to the support of largely non-economic or post-materialist reformist causes; the environment, abortion, equality for women, racial minorities, etc., and "liberated" lifestyles, while as relatively well-to-do people, they resent high taxes and state interference in the economy.<sup>118</sup>

Analyses of the changing values of mass electorates from the data of the European Values Study documents these assumptions. They indicate that opinion "change in the 1970s and 80s has been resolutely in the direction of free competition and a positive reevaluation of individual economic status [achievement]. Conversely, opinions in favour of resource redistribution, social egalitarianism, and state intervention to this effect weakened." But while "leftist" materialist values declined, "the opposite holds for the 'cultural' dimension capturing changes in morality, religiosity, family and socialization values, [and] gender relations...."<sup>119</sup> Support for traditional leftist economic and welfare beliefs remains associated with economic class, although the relationship has declined across all age cohorts, while the increased commitment to post-materialist social values is to be found more heavily among the 120 younger and better educated.<sup>120</sup> The left parties, therefore, must look for issues that appeal to the younger middle class sectors to make up for their declining working-class base.

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<sup>117</sup> Adam Prezeworski and John Sprague, *Paper Stones: A History of Electoral Socialism* (Chicago: University of Chicago Press, 1986), pp. 31-45; Eric Hobsbawm, *Politics for a Rational Left* (London: Verso, 1989), pp. 10-22.

<sup>118</sup> Ronald Inglehart, *Culture Shift to Advanced industrial Society* (Princeton: Princeton University Press, 1990), pp. 258-264, 318-321.

<sup>119</sup> R. Lesthaegh and G. Moors, "Rationality, Cohorts and Reproduction," interuniversity Programme in Demography Working Paper, 1990-1, Brussels: Centrum Sociologie, Vrije Universiteit, 1990, pp. 119-22.

<sup>120</sup> Inglehart, *Culture Shift*, pp. 77-92.

The changes do not mean that they have lost popular support or are being replaced by other parties. On the electoral level, as Dennis Kavanaugh and Wolfgang Merkel have documented, looking at the votes across Europe for social democratic parties from 1945 to 1989, their proportion overall has not fallen. It has remained amazingly stable.<sup>121</sup>

In noting this common pattern, I am not suggesting that there are no national differences in the support for these parties or that they have the same policies. Some, particularly those in southern Europe, France, Greece, Italy and Spain, have gained votes since the mid-seventies. Others, particularly in Belgium, Germany, Ireland, and the Scandinavian countries, have declined. A number have been able to form majority governments and will continue to do so. These include France, Greece, Austria, Sweden and Spain in Europe, and Australia, Britain, Jamaica and New Zealand in the Commonwealth. The other parties ranging from Ireland to Canada to those in Italy, Portugal, the Benelux Countries, Germany, Denmark, Iceland, Finland, Switzerland, Chile and Japan, operate in multi-party systems, which do not offer prospects of national office except in coalition with non-socialist parties. The factors differentiating their level of support are too diverse to deal with here. They range from the nature of their historic class structures, the number and intensity of other politically related social cleavages, e.g., religion and linguistic-cultural differences, and not least the impact of diverse electoral systems.

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<sup>121</sup> Dennis Kavanaugh, "Introduction to European Politics and Policies," Gerald A. Dorfman and Peter J. Duignan, eds., *Politics in Western Europe* (Stanford, CA: Hoover Institution Press, 1988), pp. 12-13; Wolfgang Merkel, "After the Golden Age: Is Social Democracy Doomed to Decline?," (Paper presented to the Conference "The Crisis of Socialism in Eastern and Western Europe," University of North Carolina at Chapel Hill, April 6-8, 1990).

Their politics also vary. Sweden leads the others by far in the scope of its welfare programs; Australia is at the low end among countries governed by social democrats. Austria has the largest publicly owned business sector; there is much less state ownership in Germany, and very little in Sweden. What I would reiterate is that regardless of how committed different democratic socialist parties have been to intervention in the economy and redistributionist tax and welfare programs, all have moved toward classical liberalism during the eighties, toward more free market competitive economic policies, emphasizing productivity gains rather than income transfers.

The development was presciently summed up by veteran Austro-Marxist Josef Hindels in 1974, who identified the emergence of "'Social Democracy without Socialism.' By this he meant a party which was limited to 'modernising' the capitalist system," one which "surrendered the imaginative vision of socialism and a new society."<sup>122</sup>

#### THE THIRD WORLD LEFT FOLLOWS SUIT

Recent developments in Third World countries resemble those in eastern and western Europe, i.e., movement away from statism toward acceptance of the market economy and, verbally at least, of party pluralism.<sup>123</sup> Some of the sources of these changes reflect events in the industrialized nations, including direct influence from the experiences and statements of

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<sup>122</sup> Summarized in Melanie A. Sully, *Continuity and Change in Austrian Socialism: The Eternal Quest for a Third Way* (New York: Columbia University Press, 1982,) p. 211.

<sup>123</sup> Stephen Fidler, "Developing Nations Increase Reliance on Private Sector," *Financial Times*, September 11, 1990, p. 1.

socialists and communists in the First and Second Worlds. Leaders and economists from both have told Third World Leftists that government ownership does not work and should be dropped. In some cases, they have explicitly said capitalism and the free market are the preferred routes to economic success.

More important is experience, the failure of state and collectivist enterprises in industry and agriculture, often financed by borrowing abroad as a result of resistance to foreign investment and belief in import substitution protectionist policies. As James Henry notes, most "African countries have discovered statist solutions can discourage growth."<sup>124</sup> Most Third World countries rejected any advice to encourage outside investment, as subjecting them to foreign control, in favor of loans for domestic investments. As a result, many are deeply in debt following shifts in world market demand. Foreign investments, unlike loans, are sharply reduced or wiped out by downward swings in the business cycle, such as have occurred in the past decade.

Third World politicians could note that the successfully developing nations are those which put more emphasis on the market; the so-called Asian NICs, as well as Chile and Botswana. The changes in Latin America are particularly noteworthy. Linda Robinson observes "an astonishing about face in Latin American attitudes. The generation now in power was raised on 'dependency theory' literature that expounded the dangers of reliance on overseas capital. But these books are now gathering dust ..., " as the major countries privatize and encourage foreign investment under populist leadership.<sup>125</sup> Developments in Cuba, once a model

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<sup>124</sup> James S. Henry, "Growing Nowhere," The New Republic, August 20 and 27, 1990, p. 21.

<sup>125</sup> Linda Robinson, "Latin America's Colossal Sale, Big Three Look to Privatization Prosperity." San Francisco Chronicle, "Briefing," June 20, 1990, p. 2.

for Latin American leftists, have contributed to the loss of faith in socialism. As a leading Colombian radical, Clara Lopez Obregon, notes, the Cuban system is a "resounding failure" in economic terms. Former Castroite Colombian novelist Pinto Apuleyo Mendoza believes that "socialism as a system is a failure," and now supports "Latin America's hot new ideology: free market economics."<sup>126</sup>

### Latin America and the Caribbean

The Spanish Socialists and events in eastern Europe appear to have had an impact on the Latin American Left. Two years ago I was in Argentina, where Peronist leaders told me that González, on a tour of the continent, had been telling leftist party leaders that their historic emphases on statist and redistributionist policies should be dropped. He argued that everything the state touches turns to ashes. Left of center parties and leaders from Argentina to Mexico have been following his advice and combatting hyperinflation and low growth rates by creating freer markets, encouraging foreign investment, privatizing state-owned industry, and cutting back on the size of the public sector.<sup>127</sup>

The Peronist president of Argentina, Carlos Menem, is a case in point. He has rejected "the traditional Peronist concept whereby the state was the motor of the economy.... Equating himself to Mikhail S. Gorbachev ... for

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<sup>126</sup> James Brooke, "Castro Loses His Appeal to the Latin Left," The New York Times, August 19, 1990, News of the Week, p. 2E.

<sup>127</sup> Annetta Miller, "Perestroika Goes South," Newsweek, November 6, 1989, p. 53; Robinson, "Latin America's Colossal Sale," pp. 1, 4.

the dramatic turnabout he started, Mr. Menem has said Argentina's economic collapse ... necessitated the embrace of radical, free-market ideas."<sup>128</sup> Openly espousing "modern capitalism," he is selling off publicly owned corporations, following a tighter money policy, and simplifying the tax system.<sup>129</sup> Flora Lewis notes that he is "privatizing at breakneck speed" and hopes "to privatize everything but basic government tasks."<sup>130</sup> The top personal income tax rate has been reduced from 45 to 36 percent, while the maximum corporate levy has been cut from 33 to 20 percent. Foreign investment and import restriction laws have been greatly liberalized. A leading Argentinian social scientist reports that "Menem is seen as a new Felipe González who ... administers the economy in ways acceptable to the capitalists."<sup>131</sup>

Similar developments are occurring elsewhere in the region. In Brazil, the Left generally went along with privatization during the 1989 presidential election. At a discussion among the economic advisors of the different candidates, those "from the two most leftist parties present surprised everyone with their views."<sup>132</sup> Economist Cesar Maia, a deputy of

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<sup>128</sup> Shirley Christian, "Argentina's President Takes Helm of Peronists After Rival's Setback," *The New York Times*, August 15, 1990, p. A6.

<sup>129</sup> Gary Mead, "Tough Match for Argentina," *Financial Times*, July 12, 1990, p. 11; Tom Wicker, "The Long Road Back," *The New York Times*, August 30, 1990, p. A23.

<sup>130</sup> Flora Lewis, "Menem Confounds," *The New York Times*, May 19, 1990, p. 23; Thomas Kamm, "Argentina Kicks off Privatization Drive," *The Wall Street Journal*, June 26, 1990, p. A12; John Barham, "Menem's Deepest Cut of All," *Financial Times*, September 18, 1990, p. 8.

<sup>131</sup> Torcuato S. DiTella, "Menem's Argentina," *Government and Opposition*, Winter 1990, pp. 85-97.

<sup>132</sup> Alexandre Burke Makler, "External Debt and Market Liberalization in Brazil: A New Look at Dependent Development and the Patrimonialist State," Senior Honors Thesis, Political Economy of Industrial Societies Group Major Program, University of California, Berkeley, May 1990, p. 11.

the populist Democratic Labor Party (PDT) and an advisor to presidential candidate Leonel Brizola, commented "the Left has to be conscious that the origin of the modern society is the minimal state."<sup>133</sup> Similar sentiments were expressed by Vladimir Palmeiry, a deputy of the Workers' Party (PT), whose candidate Luis Ignacio da Silva ("Lula"), made the run-off as the Left candidate. The Economist noted that his party "has given up calling for socialization of the means of production, and even sounds hazy about maintaining the loss-making enterprises in which the trade unions have most of their strength."<sup>134</sup> In neighboring Venezuela, the governing social democratic party, Acción Democrática, long affiliated to the Socialist International, announced in 1990 that "most of the 400-odd public companies would quickly be sold to private investors. Those companies are blamed for 135 most of the nation's \$35 billion foreign debt...."<sup>135</sup> Teodoro Pelkoff, leader of the more left-wing Movement Toward Socialism, also advocates privatizing "a lot of state companies" and making others "joint venture[s] with private companies."<sup>136</sup>

More significant, perhaps, are the pronouncements by leading Chilean leftists that the post-Pinochet Christian Democrat-Socialist coalition, while drastically changing the political system, should essentially

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<sup>133</sup> Quoted in *ibid.*

<sup>134</sup> "Brazil Middlemen," The Economist, November 25, 1989, p. 88.

<sup>135</sup> "After 32 Years of Democracy, Fears of a Coup in Venezuela," The New York Times, August 10, 1990, p. A3.

<sup>136</sup> James Brooke, "Venezuela Isn't Exactly Wild for Another Boom," The New York Times, September 3, 1990, p. E3.

continue the seemingly successful high growth free market policies of its authoritarian predecessor.<sup>137</sup> The Socialists have approved freeing Chile's central bank from government control.<sup>138</sup> Their ministers have been "busy courting foreign investors, preaching labour moderation and recommending private investment in the remaining state companies."<sup>139</sup> Alejandro Foxley, Finance Minister and a leader of the Christian Democratic Left, has announced that "We'll maintain the basic features of the open economy: low uniform tariffs, the current [free] exchange rate policy, rather liberal rules on foreign investment."<sup>140</sup> He expects a "return to 'voluntary credit markets'" by the end of 1990.<sup>141</sup> Jorge Arrate, the Secretary General of the Socialist Party, notes "a universal movement to reassess the content of liberal [anti-statist] democracy." Ricardo Lagos, Minister of Education, comments that the party has to be humble about its traditional beliefs, willing to change them, given the way "the world has changed." He particularly emphasizes the effect of the events in eastern Europe: "Consider the impact on socialist ideology of a Lech Walesa - a union leader questioning the socialist world."<sup>142</sup> And writing from Santiago, Tom Wicker reports that "most Chilean socialists - Mr. Lagos, for example - no

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<sup>137</sup> Shirley Christian, "How Chile is Devising a Democracy," The New York Times, December 17, 1989, News of the Week, p. E2.

<sup>138</sup> Shirley Christian, "Chile is Getting Independent Central Bank," The New York Times, December 11, 1989, p. C1.

<sup>139</sup> "Allende's Ghost," The Economist, September 8, 1990, p. 50.

<sup>140</sup> Thomas Kamon, "Chileans Set to Vote Today in the Shadow of Pinochet," The Wall Street Journal, December 14, 1989, p. A12.

<sup>141</sup> Tom Wicker, "Breaking the Cycle," The New York Times, August 23, 1990, p. A19. The Communists, an electorally important party before Pinochet, were insignificant in the 1990 election. See Samuel Silva, "'The Mummies of Marxism' Gasp for Breath in Chile," The Wall Street Journal, September 21, 1990, p. A15.

<sup>142</sup> Shirley Christian, "Chile Will Vote Freely This Week, Thanks in Part to Allende's Followers," The New York Times, December 11, 1989, p. A3.

longer press for centralized government but instead support an open economy, private enterprise and democracy."<sup>143</sup>

In Mexico, President Carlos Salinas of the PRI, a populist party, has attacked the tradition of big paternalistic government stemming from the 1910 Revolution, supported by his party for many decades. In a speech in late October 1989, he said: "The reality is that in Mexico, a larger state has resulted in less capacity to respond to the social demands of our fellow citizens. The state concerned itself more with administering its properties than with meeting pressing social needs."<sup>144</sup> And he has put the nationalized "banking system ..., airlines, mines, steel mills and the telephone company on the block; permitted imports to surge to pressure Mexico producers to become more efficient, liberalized foreign investment regulations; overhauled the tax system, and cut the deficit..." The top corporate and personal income tax rates, as well as import taxes have been cut significantly. On May Day, 1990, Salinas told the country's workers and unions that their tasks are to "increase productivity, lower costs and help win markets." His ministers have been "receiving invitations from the new leaders of Eastern Europe to deliver tutorials on how to dismantle state-dominated economy...." Not surprisingly, his approach, like that of González, is popularly referred to as Thatcherism.<sup>145</sup> According to Mexican

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<sup>143</sup> Tom Wicker, "Conflict to Consensus," *The New York Times*, August 20, 1990, p. A19.

<sup>144</sup> Marjorie Miller, "Salinas, Amid Jeers, Defends His Economic Program," *Los Angeles Times*, November 2, 1989, p. A8.

<sup>145</sup> Larry Rohter, "Stop the World, Mexico is Getting On," *The New York Times*, June 3, 1990, Business, p. 1F. All told Mexico is privatizing 770 companies. Gary Hector, "Why Mexico is Looking Better," *Fortune*, January 15, 1990, pp. 136-137.

political analyst Lorenzo Meyer, those to the left of the PRI, faced with the international discrediting of socialism, have been "trying to redefine themselves in the image of say, a Felipe González - type of socialist - against corporate elitism, but in favor of open markets."<sup>146</sup>

Similar policies have been pursued by the moderate left or populist parties in countries as disparate as Bolivia, Costa Rica, Peru and Uruguay. The Uruguayan Socialists, as a major third party to the left of the populists, have been almost unique among significant radical parties in continuing to advocate statist redistributive policies. But a party convention in November 1990 is scheduled to debate "whether to drop Marx, Engels and Lenin." Party leader Tabare Vasquez, preparing for a possible change in party doctrine, emphasizes that "Socialism implies more than Marxism," that it must not be "dogmatic, nor ... closed to discussion."<sup>147</sup>

The stories can be matched in the most important democratic Caribbean states, Jamaica and the Dominican Republic. In the former, socialist Prime Minister Michael Manley, a strong admirer of Fidel Castro in the 1970s, returned to office in 1989 "as an advocate of free markets, privatization, global economic integration and competition." Howard French reports that he has replaced many of his leftist "social programs and promises of the past with a call to hard work," and "fiscal conservatism."<sup>148</sup> In the

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<sup>146</sup> "Quoted in David Asman, "Is Mexico's New Market Economy Here to Stay?" The Wall Street Journal, June 1, 1990, p. A10.

<sup>147</sup> Shirley Christian, "In Uruguay, Two Leaders and Two Ideologies," The New York Times, August 29, 1990, p. A5.

<sup>148</sup> Howard W. French, "Jamaican Leader to Meet Bush Today," The New York Times, May 3, 1990, p. A8, "In the Caribbean, It's Still the Age of Patriarchs," The New York Times, News of the Week, May 27, 1990, p. 2E.

latter, former President Juan Bosch, "kept out of office for years with United States' assistance because of his socialist leanings, spent his entire campaign this year [1990] ... extolling capitalism." As French notes, the "ideological gap" between the two Caribbean leftists and "their conservative rivals has become all but imperceptible."<sup>149</sup>

At a meeting of Latin American and Caribbean Leftist Parties and Organizations in July 1990, the most extreme left parties, including Trotskyites, Communists, and diverse Liberation Fronts, moved to the right. Most "participants favored full-fledged political pluralism," and while "a few were firm believers in state control,... most preferred a more decentralized model."<sup>150</sup>

#### Africa and Asia

The African pattern is similar. One of the continent's most enduring socialist heads of state, Kenneth Kuanda of Zambia, now acknowledges that his 25 year old government made "a gigantic error" in trying to build a welfare state, by controlling prices, foreign trade, and investment in a poor country. As he notes, "We subsidized consumption instead of production."<sup>151</sup> In nearby Zimbabwe, Robert Mugabe, long committed to Marxism and socialism, "has promised to liberalize trade ... as part of a phased program to reduce state controls on the economy."<sup>152</sup> The Ghanian

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<sup>149</sup> loc cit.

<sup>150</sup> Sam Seibert with Michael Kepp, "The Left Tries to Get It Right," Newsweek, July 16, 1990, p. 39.

<sup>151</sup> Angus Deming, "Kuanda's Fall From Grace," Newsweek, July 16, 1990, p. 37.

<sup>152</sup> "Zimbabwean Business Confidence Increases," Financial Times, May 23, 1990, p. 6; Julian Berger, "Zimbabwe Belatedly Loosens Government Economic Control," Financial Times, July 6, 1990, p. 6; "Zimbabwe's Economy Breaking Free," The Economist, August 25, 1990, p. 36.

government, which in the past owned 235 enterprises, is now trying to divest itself of them under its structural adjustment program (SAP).<sup>153</sup> Once socialist Togo also boasts of "structural adjustment programmes." President Gnassingbe Eyadema has cut the state budget drastically and liquidated or privatized many firms. The state created steel company has been doing well since it was taken over by an American entrepreneur in 1985.<sup>154</sup> In Benin, President Mathieu Kerekou is "freeing up a heavily state-controlled economy," and has renounced Marxism-Leninism.<sup>155</sup> Gabon has followed a similar course, as its leader, Omar Bongo, has lost effective power. Julius Nyerere, head until 1990 of the ruling Marxist Revolutionary Party in impoverished Tanzania, proclaims that his country could learn an economic "lesson or two" from eastern Europe, and the government, under his successor, President Ail Hassan Mwinyi, is now committed to a free market system.<sup>156</sup>

Given developments in sub-Saharan Africa and eastern Europe, it should not be surprising that the heavily socialist program of the African National Congress was drastically revised in the fall of

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<sup>153</sup> William Keeling, "Ghana Paying the Price for its Political Principles," Financial Times, August 22, 1990, p. 6.

<sup>154</sup> "Togo's Takeaway Economy," The Economist, June 16, 1989, p. 48; William Keeling, "Liberal Steps Fall Short," Financial Times, October 9, 1990, p. 10.

<sup>155</sup> "Benin's Second Chance," International Herald Tribune, July 6, 1990, p. 6.

<sup>156</sup> Michaels, "Continental Shift," p. 35; Roger Thurow, "Decades After Nationalization Drive, Tanzanian Business Clan's Hopes Revive," The Wall Street Journal, July 23, 1990, p. A4; Neil Henry, "Nyerere Bows Out With Tanzania in Deep Decline," The Washington Post, September 26, 1990, pp. A27-A28.

1990. Like socialist parties elsewhere, the South African ANC "has muted its long standing calls for nationalization of industries and redistribution of wealth. Instead, it is talking more of relying upon economic growth to deliver a more equitable share of South Africa's resources to the country's black majority."<sup>157</sup> Soviet economists in private discussions have strongly advised Mandela and other leaders to follow such a course, to rely on the market.

North of the Sahara, Egypt, heavily statist under Gamal Abdul Nasser in the early fifties, with considerable government ownership and economic regulation, shifted slightly toward a market system under Anwar Sadat in the seventies, and somewhat more so under Hosni Mubarak in the eighties. Algeria's long-time one-party socialist regime has moved to privatization, a freer market economy, and political pluralism. And in India, the social democratic Congress party dropped its commitments to a statist economy before losing office in 1989. It has upheld the efforts of its successor in power, a coalition which includes socialists, to "actively encourage foreign investments by allowing foreign companies to hold 51 percent equity in priority industries," as well as "sharp reductions in tariffs on raw materials, capital goods and components..."<sup>158</sup>

### Third World Communism

Albania, Cuba and North Korea apart, the Third World Communist regimes have been moving in the same direction. Facing

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<sup>157</sup> Christopher S. Wren, "Mandela Group Softens Its Socialism," The New York Times, October 4, 1990, p. A3.

<sup>158</sup> David Houaego, "Delhi Considering Radical Easing of Investment Curbs," Financial Times, June 29, 1990, p. 6; Sanjoy Hazarika, "As India Opens Its Economy, Some Cling to Socialist Ideals," The New York Times, August 4, 1990, p. Y3.

a major crisis in national morale, including "widespread disillusionment within the Vietnamese army," the Communists voice suspicion of "some of the best known of Americans who, often at great risk to themselves, were at the forefront of anti-war activities...."<sup>159</sup> Since 1986, when the Vietnamese Constitution was "amended to guarantee the rights of private property," the public sector has been significantly dismantled and replaced by a burgeoning private one. The government "drew on the talents of leading American lawyers in drafting and passing one of the most liberal foreign investment acts in Asia."<sup>160</sup> An economic advisor to the regime, discussing the market oriented policies, boasts that "Eastern Europe is trying to do what we've already done."<sup>161</sup> "Doi moi" is the Vietnamese equivalent of perestroika.<sup>162</sup> It constitutes "the most radical changes" toward a full market economy in the Communist world, "affecting industry and agriculture."<sup>163</sup> According to The Wall Street Journal, economic conditions in Ho Chi Minn City (Saigon), have reverted to what they were when the Communists took over. The paper quotes a leading economist, Le Dang Doanh, that "Vietnam doesn't suffer so much from the sickness of capitalism as from the lack of capitalism."<sup>164</sup>

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<sup>159</sup> George C. Wilson, "Vietnam Appears to Fear a Democracy Movement in Prospect," Washington Post, July 19, 1990, p. A28.

<sup>160</sup> Leonard I. Weinglass, "Asia's Latest Economic Miracle is Vietnam," The New York Times, January 20, 1990, p. A18.

<sup>161</sup> Barry Wain, "Hanoi Embraces Once-Reviled Capitalism," The Wall Street Journal, May 1, 1990, p. A16.

<sup>162</sup> Charles P. Wallace, "Vietnam Becoming Less Soviet, More Asian, More Prosperous," San Francisco Chronicle, February 22, 1990, p. A19.

<sup>163</sup> Emily MacFarquhar, "Hanoi's Hasty Pudding. Beset by Hunger and Hyperinflation Vietnam Suddenly Discovers Capitalism Turning Ho Chi Min's Communism on Its Head," U.S. News and World Report, July 23, 1990, p. 38.

<sup>164</sup> Barry Wain, "Vietnam's Economic Reform Is Still a Delicate Planting," The Wall Street Journal, May 24, 1989, p. A10."

Nothing the effects of rent control on his capital city, Foreign Minister Nguyen Co Thach of Vietnam said: "The Americans could not destroy Hanoi, but we have destroyed our city with very low rents. We realized it was stupid and that we must change policy."<sup>165</sup>

In Cambodia, the pro Vietnam Communist government now encourages "private enterprise and open markets ... on the ground that they are more efficient than state-owned industry."<sup>166</sup> It has "dropped much of the Communist ideology ... [and] introduced an essentially free-market system."<sup>167</sup> Even the murderous Khmer Rouge, as The Economist notes, have been "reading the newspapers." Their spokesman at the peace talks among the different national factions, Khiev Samphan, states (pretends?) they now believe in a "liberal economy."<sup>168</sup> Laos also has "openly returned to capitalist economics.... Laotian peasant farmers once again till lands that are their own, and commerce in this virtually unindustrialized country has largely returned to private ownership."<sup>169</sup>

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<sup>165</sup> Stuart Butler, "Razing the Liberal Plantation," The National Review, November 10, 1989, p. 27. A Swedish economist, Assar Lindbeck, has recently made a similar comment with respect to his own country. "Rent control seems in many cases to be the most effective way of destroying a city - except for bombing." Quoted in Crovitz, "Sweden's Crackup," p. 10.

<sup>166</sup> Robert Pear, Phnom Penh, Eye on West, Tries to Shed Image as Hanoi Puppet," The New York Times, January 8, 1990, p. 6. See also Michael J. Horowitz, "Toward a New Cambodian Policy," The American Spectator, June 1990, pp. 24-26.

<sup>167</sup> Steven Erlanger, "Reports From Phnom Penh Indicate New Instability," The New York Times, June 24, 1990, p. Y9; Sidney Jones, "War and Human Rights in Cambodia," New York Review of Books, July 19, 1990, p. 18.

<sup>168</sup> "Cambodia No Will, No Way," The Economist, March 3, 1990, p. 30.

<sup>169</sup> Henry Kamm, "Communist Laos Mixes Strict Political Dogma With Capitalist Economics," The New York Times, January 27, 1990, p. 4Y; Jimmy St. Goar, "A Whiff of Economic Freedom in Laos," The Wall Street Journal, March 21, 1990, p. A20; Stan Sesser, "A Reporter At Large. Forgotten Country (Laos)," The New Yorker, August 20, 1990, pp. 39-68.

Prior to its electoral defeat, the Sandinista regime in Nicaragua, exposed to a steady economic decline and Soviet advice, adopted a "market-oriented" program described invidiously and exaggeratedly by Fidel Castro as "the most right-wing policy in Latin America." The Sandinista Directorate formally approved "an austerity program so conventional and market-oriented that it has been compared to the methods of the International Monetary Fund. The measures ... ranged from deep cuts in spending to new incentives for private business."<sup>170</sup>

The leaders of the Afghan People's Democratic Party, including President Najibullah, repudiate Marxism. A major party spokesperson, Farid Mazdak, explains its former admittedly erroneous politics as reflecting the pressures of "a time when Marxism-Leninism was quite in fashion in underdeveloped countries."<sup>171</sup> The South Yemen rulers, prior to uniting with pro-western North Yemen, "knocked down the statues of Marx and Lenin and references to the Party embedded in the facades of buildings."<sup>172</sup> In Ethiopia also, an unpopular Third World Communist regime is drastically changing its economic policies and ideology. President Mengisto Haile Mariam "announced in March [1990] that his government was abandoning Marxism-Leninism."<sup>173</sup> He is moving toward a free market system in which there will be no limit on capital investment in the private sector, with a

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<sup>170</sup> Mark A. Uhlig, "Cuba Loses Allure for Nicaraguans," The New York Times, January 18, 1990, pp. A1, A10.

<sup>171</sup> John F. Burns, "Leaders in Kabul Seek a New image," The New York Times, May 5, 1990, p. 6.

<sup>172</sup> "Asides," The Wall Street Journal, May 22, 1990, p. A14.

<sup>173</sup> Jane Perlez, "Ethiopia's Long War Draws Closer to the Capital," The New York Times, July 21, 1990, p. 5.

wide degree of privatization of industry, construction and agriculture.<sup>174</sup> To the south, in Mozambique, the once Soviet aligned Liberation Front (Frelimo) has announced a new program including support for "a free-market economy, renunciation of Marxism-Leninism, more religious freedom, private schools and free elections."<sup>175</sup>

### **AMERICAN EXCEPTIONALISM REVERSED**

The American Left's abstention from the shift rightward is ironic in the context of the old and persistent question of why the United States has been the only industrialized society without a viable socialist or labor party; why it has been politically "exceptional."<sup>176</sup> But all over the industrialized world, we have seen the labor, socialist, and social democratic parties (as well as many Communist and Third World leftist ones) give up their Marxism, drop their emphases on being working class movements, and increasingly adopt a populist reformist stance closer to the traditional American model.

But the provider of that model, the Democratic party, has been moving in the opposite direction. While the party is not socialist, and the United States, under Republican leadership, remains much less committed to

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<sup>174</sup> Associated Press, "Ethiopia Rulers Discard Communism," The Gazette, (Montreal), March 6, 1990, p. A10.

<sup>175</sup> "Mozambique War's End," The Economist, September 1, 1990, p. 40.

<sup>176</sup> For a detailed review of the literature on the subject, see Seymour Martin Lipset, "Why No Socialism in the United States?," Seweryn Bialer and Sophia Sluzar, eds., Sources of Contemporary Radicalism, I (Boulder, CO: Westview Press, 1977), pp. 31-149, 346-363.

the welfare state both on policy and public opinion levels than other economically developed states, the Democrats adhere more closely to redistributionist, progressive tax, anti-business orientations than many social democratic parties.<sup>177</sup> And trade union fostered protectionist doctrines have made headway in the Congressional party. The party's policies on the cultural quality of life, "permissiveness," affirmative action for minorities and women, and foreign issues date from the sixties, and have alienated many traditional Democrats, particularly the less educated and more religious partisans, while its Congressional majority now advocates higher and more progressive tax measures.

Although neo-liberal economic doctrines, which focus on market forces, have received public endorsement from some Democratic politicians, including Congressional backing during the later Carter and early Reagan years of measures to reduce economic regulations and taxes, the party's record suggests that in recent years it has moved left. Unlike most European Social Democrats, the Democrats continue to press for income redistribution. While the British Labour Party's 1990 program supports tenants' "right to buy" publicly owned council housing, Senator Barbara Mikulski, the Chair of the subcommittee dealing with housing, and her Democratic majority have resisted "transferring public housing to private [tenant] ownership" as proposed by Housing and Urban Development Secretary Jack Kemp.<sup>178</sup> The trend has been documented statistically by the Americans for Democratic Action (ADA), which has kept score on the ideological

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<sup>177</sup> Tom Kenworthy, "Gephardt's New Campaign: Rallying His Party," The Washington Post National Weekly Edition, May 7-May 13, 1990, p. 14.

<sup>178</sup> "On Second Thoughts," p. 64; Gwen Ifill, "Kemp Assails Senate Funding Curbs," The Washington Post, September 29, 1990, p. A6.

behavior of members of Congress. The ADA data indicate a steady increase in liberal voting among Democrats since the 1970s. The late eighties was the most liberal period since the ADA began keeping records in 1963. The southern states particularly contributed to these changes.

Table I

Democratic Congressional Voting Record  
Average Percent Liberal - 1971-1989

<u>Congress</u>	<u>Years</u>	<u>House</u>	<u>Senate</u>
92 and 93	1971-74	53.5	59
94 and 95	1975-78	54.5	56
96 and 97	1979-82	59	59
98 and 99	1983-86	69	70
100 and 101	1987-89	75	73

Source: These data were compiled for me from the ADA files by Hilary Weinstein of the Progressive Policy Institute. I am grateful to her for this work.

In discussing the ideological changes of the Democrats, I refer to a large segment, perhaps the bulk of the party's leadership in national office, most of the delegates to national conventions, and its most prominent intelligentsia, not the voters. Opinion polls indicate the latter are much more conservative or traditional than the party's leadership. Comparisons by many polls of responses to issue questions by the delegates to the 1980, 1984 and 1988

conventions with those of the party's rank and file point up wide gaps, with the median Democrat, like the average voter, being much more in the center politically than the delegates and national nominees.

Other than support for a more redistributive tax system and calling in its 1988 platform for national planning, "targeted economic development," the left orientation of the Democratic party is most expressed in its commitment to affirmative action for minorities and women in the form of special preferences or quotas which redistribute economic and educational opportunities in order to assure equal opportunity. The debate over these issues down to the Civil Rights Bill of 1990 has increasingly been between the Democrats and Republicans, the former seeking to apply the "socialist" principle of equality of results, the latter placing stress on the traditional American emphasis on meritocracy, equal opportunity in a competitive race.

With the exception of Jimmy Carter during his first campaign, Democratic nominees from George McGovern in 1972 to Michael Dukakis in 1988 have been linked in the public mind with advocacy of a strong state in the domestic economic and welfare areas, a soft foreign and defense policy, and social permissiveness with respect to drugs, crime, family values and sexual behavior. Many traditional blue collar and ethnic Democrats, while still somewhat supportive of New Deal type programs, disdain the social and foreign policies associated with the party's Left.

Rejecting these policies, however, is not the same thing as opposing the Democratic party. Since the American electorate continues to place self-interest above ideology, most also support programs designed to safeguard people like themselves by

providing health care, subsidizing college education, protecting the elderly and guaranteeing jobs. To secure these objectives, they vote Democratic for Congress.

Congress is the place where cleavages are fought out. Members perform services, act as ombudspeople, and represent interests. They appeal narrowly rather than broadly. And the Democrats, with their links to mass groups and popularly based interest organizations, are in a better position to fulfill these functions. Following former House Speaker Tip O'Neill's maxim that in America, "all politics is local," Democratic candidates have successfully presented themselves as advocates of whatever interests are dominant in their areas.

#### Why is America Exceptional?

To understand why the recent story of party ideologies, of programmatic shifts and stances, is so different between the Left in the United States and in most of the other industrialized democracies, it is necessary to appreciate the source of the initial American political exceptionalism, the absence of a significant socialist movement. The evidence and arguments presented by a large number of scholars suggest that socialist class politics, as it developed in Europe, was less an outgrowth of capitalist social relations than of preindustrial feudal society, which explicitly structured the social hierarchy according to fixed, almost hereditary, social classes. Consequently, the emerging working class reacted to the political world in class terms. Conversely, in America the purest bourgeois society has treated class as an economic construct. Social classes have been of limited visibility as compared to the situation in

Europe.<sup>179</sup> Hence, class conscious politics has been limited in scope. Walter Dean Burnham has aptly summarized this overall thesis: "No feudalism, no socialism: with these four words one can summarize the basic sociocultural realities that underlie American electoral politics in the industrial era."<sup>180</sup>

It should be noted, of course, that Marx was right in assuming that occupational position would be a major determinant of political orientation and class organization in industrial society. In all democratic nations, including the United States, there has been a correlation between socioeconomic status and political beliefs and voting.<sup>181</sup> The less privileged have supported parties that have stood for greater equality and protection against the strains of a free enterprise economy through government intervention.

As noted earlier, this pattern has changed in recent decades. The growth in the proportion of population enrolled in higher education and subsequently employed in scientific-technical, professional and service occupations has created a sizeable privileged stratum responsive to non-economic reform causes; environmentalism, feminism, gay and minority rights, peace, and a

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<sup>179</sup> See Lipset, "Why No Socialism in the United States?," pp. 50-58; and Lipset, *Consensus and Conflict: Essays in Political Sociology* (New Brunswick, NJ: Transaction Books, 1985), pp. 211-225.

<sup>180</sup> Walter Dean Burnham, "The United States: The Politics of Heterogeneity," Richard Rose, ed., *Electoral Behavior* (New York: Free Press, 1974), p. 718. A related thesis suggests that the absence of a significant socialist movement in the United States is to be explained in part by the vitality of the classically liberal, anti-statist and individualistic values, which, linked to the ideology of the American Revolution, have been much stronger here than elsewhere. Conversely, socialist movements are the other side of the Tory-statist tradition and greater collectivity and noblesse oblige orientations to be found in countries with a monarchical and aristocratic background. See H.G. Wells, *The Future in America* (New York: Harper and Brothers, 1906), pp. 72-76; Louis Hartz, *The Founding of New Societies* (New York: Harcourt, Brace and World, 1964), p. 35; Seymour Martin Lipset, *Continental Divide: The Values and Institutions of the United States and Canada* (New York: Routledge, 1950), pp. 26-24, 149-150

<sup>181</sup> Lipset, *Political Man*, p. 234.

more permissive morality, particularly as affecting familial and sexual issues. These concerns have produced new bases for political cleavage and have given rise to a variety of "single-issue" protest movements. Those with post-graduate education are most liberal in their views, most involved in the "movements," and most Democratic in voting behavior. Since the United States has the largest proportion of the population who are college graduates and continue on to post-graduate education, there is a greater base for New Left or new liberal politics in America than elsewhere. The record would seem to sustain the assumption. As the French political scientist Jean-Francois Revel pointed out in 1971,

one of the most striking features of the past decade is that the only new revolutionary stirrings in the world have had their origin in the United States... I mean the complex of new oppositional phenomena designated by the term "dissent."<sup>182</sup>

A critical intelligentsia, based on the new middle class, emerged in the 1950s with the formation of the "reform" movement in the Democratic party, and constituted the beginning of what was subsequently labeled the New Politics. The 1960s witnessed the full-flowering of the New Politics in the form of opposition to the Vietnam War, struggles for civil rights, women's and gays' liberation and environmentalist movements, as well as the emergence of new lifestyles.

As Revel has stressed, the new American style of activism, single-issue movements and radical cultural politics, spread during the 1960s to other parts of the developed world which were also entering the stage of postindustrialism. Campus-based protest occurred in all the European countries. Sizable left-wing tendencies rooted in the new middle-class groups challenged the moderate union-based leadership of the socialist parties. But these

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<sup>182</sup> Jean-Francois Revel, *Without Marx or Jesus* (Garden City, NY: Doubleday, 1971), p. 6.

developments were

imitations of the American prototype, or extensions of it, and subsequent to it. European dissenters, who represent the only force which has been able to rouse both the Left and the Right, the East and the West, from their academic torpor, are the disciples of the American movements.<sup>183</sup>

These developments were stimulated and reinforced by the civil rights struggles which, from the Supreme Court's school desegregation decision in 1954, led to a continuing series of organized efforts to widen educational, economic and political rights for blacks, other ethnic minorities, gays, and women. These helped to radicalize the well-educated and to mobilize blacks and others in support of the more liberal or left forces within the Democratic party, while pressing socially conservative less affluent whites within the party to vote Republican. Blacks, who constitute more than 20 percent of identified Democrats, back Jesse Jackson and his Rainbow Coalition, a group which, race issues apart, strongly supports income redistribution and heavy state involvement in the economy. A number of black Congresspeople are openly socialist. America's inability to resolve the issue of racial equality has left it, in its third century as an independent state, more deeply divided over rights for underprivileged strata than most other industrialized nations.

Thus if the first American exceptionalism is linked to the differences between the American pure bourgeois classically liberal (anti-statist) character and the more Tory statist and fixed class systems of post-feudal Europe, the second is tied to America's lead in economic development and higher education and to the need of its polity to

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<sup>183</sup> Revel, Without Marx or Jesus, pp. 6-7.

confront for the first time a mass-based demand for "equality of results" in ethnic and gender terms supported by the intelligentsia.

#### Why are the Democrats Different?

To explain why the Democrats have not followed the lead of left groups like British Labour or the German Social Democrats in accepting pressures to move right, requires specification of institutional and intellectual factors.

There are, I believe, four elements. First is the greater importance of social movements in America as compared to other stable democracies, which flows from the dissimilarity in electoral systems. Second is the variation between government in America's division of powers, absence of party discipline system, and that of a more controlled centralized system with a set party policy and legislative discipline in parliamentary countries. Third is the different economic view held by the Left in countries with parties and trade unions with socialist and corporatist-derived backgrounds from those of American liberals and trade unionists, who have never advocated a national economic policy or 184 corporatist (trade-off) agreements among business, labor and government.<sup>184</sup> Fourth is the variation of response to the crisis of Marxist, socialist and communist ideology by intellectuals and intelligentsia in countries which have had powerful socialist and/or communist movements, from that in one like the United States, where the large left intellectual community has never known an electorally significant domestic socialist or Marxist movement.

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<sup>184</sup> For a review of the literature on corporatism and social democracy, see Milner, Sweden, pp. 23-31.

### Institutional Factors

A peculiarity of the American polity has been the relative ease with which social movements, as distinct from parties, have arisen and had significant impact. If we contrast the American political system with that of the affluent European nations with respect to the frequency and importance of major movements, the United States is clearly in the lead.<sup>185</sup> Social movements are the equivalent of minor parties in the American context. They arise because it is impossible to create stable third parties in a system whose main election involves a nation-wide contest to choose an individual head of government. Parliamentary systems encourage minor parties, since various value and interest groups may elect Members in ecologically separated constituencies. The extra-electoral American movements, not being part of the normal partisan political game, are all the more likely to be more extreme programatically. They are not subject to the party discipline needed to win the support of the electorate. Rather, they try to force the leaders of the two major parties to respond to their demands. And given the weakness of national party organization, the movements stemming from the sixties have had a continuing influence on both parties, pressing the Republicans to the right (anti-abortion, hard line on crime, less state intervention in the economy), and, as noted, the Democrats to the left.

In parliamentary countries, the party leadership usually stays in power internally even after being defeated in elections. Whether in control of government or not, they can evaluate the electoral consequences of their policies and take action to change those

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<sup>185</sup> Lipset, Consensus and Conflict, pp. 296-299.

which appear to have failed. Most of these parties have polling and research staffs which continue indefinitely, are unaffected by election outcomes, produce research monographs, and recommend policy adjustments in response to analyses of long term trends. Because of the separation of the executive and the legislature, parties in the United States have always been looser, less disciplined, less bureaucratic than in parliamentary systems. But various changes in party rules and the expansion of the primary system which occurred in the late sixties and the seventies, have made the national parties, particularly the Democrats, weaker than ever.<sup>186</sup>

Given the shifts in the leadership after each electoral defeat, national nominations and conventions not controlled or even seriously influenced by party institutions, no one can think or speak for the party when it does not control the White House. Pollsters, researchers, and key policy advisors change from election to election. Candidates first seek to be nominated and then look for money and preprimary activist support, much of which, in the case of Democratic presidential hopefuls comes from the Left. Party activists who are no longer concerned with patronage jobs do not ask how we can win or what went wrong in the last election; they support those closest to them ideologically. As Christopher Matthews, the Washington Bureau Chief of the San Francisco Examiner, notes, "To win the early caucuses and primaries, a candidate needs to appeal to those passionate Democratic activists who get involved in Presidential picking. Most of these people run the gamut from center-left to far-left. The people who show up at Democratic caucuses, who man the storefronts

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<sup>186</sup> Nelson W. Polsby, *Consequences of Party Reform* (New York: Oxford University Press, 1983); Byron E. Shafer, *Quiet Revolution The Struggle for the Democratic Party and the Shaping of Post-Reform Politics* (New York: Russell Sage Foundation, 1983).

in the early primary states, have little time for moderates, much less conservatives."<sup>187</sup> Hence the national Democratic party, which compared to European socialist ones scarcely exists as an organization, cannot draw lessons or make policy changes binding on those who will run its next presidential campaign or represent it in Congress.

The anti-statist, individualistic, and competitive orientations of Americans do not encourage thinking by trade unions or other interest groups about what is good for the nation, the economy, or their party. Should any group be asked or forced to sacrifice for benefit of the whole, for increased productivity? The goal, in Samuel Gompers's words, is always "more." American trade unions, unlike the more "solidaristic" European socialist and Catholic ones, are as competitive and uninterested in the national welfare as is business. Such syndicalist orientations could function well in an expanding autarchic economy in which foreign trade was of small importance. They are ineffective guides for a nation engaged in international competition.

The reluctance of American trade unions to consider policies which may bring short term income reduction to workers in order to improve the larger competitive position of the economy, could change in response to the steadily worsening position of the labor organizations. Their proportion of the employed labor force keeps declining, now down to 16 percent. Their ability to secure majorities in union representation elections is also falling off. More serious is their inability to win major strikes, more problematic than at any time since the twenties. There were fewer labor walkouts in 1988 than in any of the previous 40 years. Unions

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<sup>187</sup> Christopher Matthews, "Democrats Look for a Heavyweight," San Francisco Examiner, January 12, 1990, p. A25.

need friends in the national administration more than ever. This fact may give the Democrats more leeway with them.

The contrast between the behavior of unions in America and those linked to social democratic labor parties elsewhere also reflects the dissimilarities in the organizational structures of the parties they support. Unions in Australia, Great Britain, and much of Europe reluctantly accept restrictions on their freedom of action or wage restraint policies dictated by the disciplined parties they endorse, in America, it is not possible for a party to force unions (or other groups) to accept policies which apparently challenge their self-interest.

The need to impose some structure on the national party so leaders can enforce electorally fruitful policies is more difficult to satisfy. The lack of organization reinforces itself. Each presidential nominee has an interest in recruiting all segments of the party to his campaign and hence does not seek to control future developments. As a recent example, in 1988, the Dukakis forces agreed to changes in the delegate selection rules which will give Jesse Jackson many more delegates in 1992 if he runs and secures the same percentage of votes he received four years earlier.

#### The Influence of the Intelligentsia

In America, as noted, the highly educated cohorts became the backbone of the Democratic party Left. Student and intellectual protests against the Vietnam War and in support of civil rights were the catalysts in the emergence of a New Politics. But the intelligentsia, a growing mass stratum, has been electorally more influential in setting the national, particularly the left segment's, agenda, thus contributing much to the second American political exceptionalism.

Support for the left by American intellectuals is not a new

phenomenon. They have been on the anti-establishment side for the past century.<sup>188</sup> They have fostered what Lionel Trilling called the "adversary culture," opposed to bourgeois and national patriotic values. They have been the strongest supporters of the relatively small far left tendencies, including in the past various radical third parties. Though such parties have almost disappeared, the most recent opinion survey of academics, taken in 1989, shows 57 percent call themselves liberal compared to 11-20 percent among the electorate as a whole. Among those at the highest level institutions, research universities, 67 percent of the elite faculty are liberals.<sup>189</sup>

A striking aspect of the new exceptionalism is the judgement that Marxism is alive and relatively well in American intellectualdom. As Garry Abrams notes, "American universities may be one of the last bastions of intellectual Marxism, at least in the developed world."<sup>190</sup> Oxford political theorist John Gray also

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<sup>188</sup> Richard Hofstadter, *Anti-Intellectualism in American Life* (New York: Knopf, 1963), p. 29; Seymour Martin Lipset and Richard E. Dobson, "The Intellectual as Critic and Rebel: With Special Reference to the United States and the Soviet Union," *Daedalus*, Summer 1972, pp. 138-147. See also "Text of a Pre-Inauguration Memo from Moynihan on Problems Nixon Would Face," *The New York Times*, March 11, 1970, pp. 1, 30.

<sup>189</sup> Carolyn J. Mooney, "Professors are Upbeat About Profession but Uneasy About Students, Standards," *The Chronicle of Higher Education*, November 8, 1989, p. A20. For earlier survey data, see Everett Carll Ladd, Jr. and Seymour Martin Lipset, *The Divided Academy: Professors and Politics* (New York: W.W. Norton, 1976).

<sup>190</sup> Garry Abrams, "After the Wall: As New Era Emerges U.S. Political Thinkers Ponder Fate of Marxism," *Los Angeles Times*, December 6, 1989, pp. E1, E6; Tony Judt, "The Rediscovery of Central Europe," *Daedalus*, Winter 1990, p. 34. For conservative views see Peter Shaw, *The War Against the Intellect: Episodes in the Decline of Discourse* (Iowa City: University of Iowa Press, 1989), Paul Hollander, *The Survival of the Adversary Culture* (New Brunswick, NJ: Transaction Books, 1988), and Roger Kimball, *Tenured Radicals; How Politics Has Corrupted Higher Education* (New York: Harper and Row, 1990). For radical ones see Bertell Ollmann and Edward Vernoff, eds., *The Left Academy - Marxist Scholarship on American Campuses* (New York: McGraw-Hill, 1982), Jonathan M. Wiener, "Radical Historians and the Crisis in American History, 1959-1980," *Journal of American History*, September 1989, pp. 399-434, Michael Burawoy, "Introduction: The Resurgence of Marxism in American Sociology," *American Journal of Sociology* 88 (Supplement 1982), pp. S1-S30, and Richard Flacks, *Making History: The Radical Tradition in American Life* (New York: Columbia University Press, 1988 ), pp. 185-186, 190-191.

concludes that "the academic institutions of capitalist America will be the last redoubt of Marxist theorizing..."<sup>191</sup> Gerald Marzorati, senior editor of Harper's Magazine, emphasizes that the American academic radicals have dropped "liberalism, with its notions of tolerance" in favor of "a mix of neo-Marxism and semiotics, ... a Continental language, precisely that being abandoned" by the younger European intellectuals, who have resuscitated liberalism, the emphasis on individual rights, and pragmatism. Ironically, these overseas "writers and thinkers seem to harbor none of the easy anti-Americanism of their intellectual forefathers and of America's academic radicals."<sup>192</sup> Writing in the New York Review of Books on the attitudes and writings of American elite scientists, Cambridge University Nobel laureate M.F. Perutz notes, "Marxism may be discredited in Eastern Europe, but it still seems to flourish at Harvard."<sup>193</sup> Commenting in a similar way on the differences between American and Soviet literary analysts, Robert Alter, a leading student of the subject, points out that "Literature in our own academic circles is regularly dismissed, castigated as an instrument of ideologies of oppression...." But after a trip to Moscow, he "came away with the sense that there are still people in the world for whom literature matters urgently."<sup>194</sup> Richard Flacks, a prominent radical sociologist wrote in 1988, "If there was an Establishment sociology twenty years ago, we helped do it in, and so, for good or ill, the field is to a great extent

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<sup>191</sup> John Gray, "Fashion, fantasy or fiasco?," Times Literary Supplement, February 24-March 2, 1989, p. 183.

<sup>192</sup> Gerald Marzorati, "Europe is Reclaiming the Language of Liberalism," International Herald Tribune, July 11, 1990, p. 4.

<sup>193</sup> M.F. Perutz, "High on Science," New York Review of Books, August 16, 1990, p. 15.

<sup>194</sup> Robert Alter, "Tyrants and Butterflies," The New Republic, October 15, 1990, P. 43.

ours."<sup>195</sup> And leftist historian Jonathan Wiener noted in 1989 that "radical history in the age of Reagan occupied the strongest position it has ever held in American universities."<sup>196</sup> The ideological Left is also strong in Hollywood and among creative personnel in television.<sup>197</sup>

There are numerous fellow travelers of the intellectuals among the intelligentsia, the well-educated consumers of university research and intellectual creativity. As noted, those who have had some post-graduate education are the most left disposed segment in the electorate. These groups vote more than any other stratum, predominantly for liberal candidates in the primaries, thus helping to keep the Democrats on the left. German Social Democratic theorist Richard Lowenthal points up the role of "intellectual doctrinaires" in the "organizational reform of the Democratic party ... which produced the McGovern candidacy and its failure." He emphasizes "the contrast between the results of an inner-party democracy influenced by strong contingents of ideological activists and the requirements of success in a democratic election...."<sup>198</sup> Postindustrial leftists, often self-identified radicals, have been elected to office in communities with concentrations of such people, e.g., Ann Arbor, Amherst, Austin, Berkeley, Boulder, Burlington (Vermont), Cambridge, Hyde Park (Chicago), Ithaca, Madison, Manhattan, Santa Cruz, and Santa Monica.<sup>199</sup>

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<sup>195</sup> Richard Flacks, "The Sociology Liberation Movement: Some Legacies and Lessons," *Critical Sociology*, Summer 1988, p. 17.

<sup>196</sup> Wiener, "Radical Historians...", p. 434.

<sup>197</sup> In 1985, a majority of the media elite identified themselves as on the Left. S. Robert Lichter, Stanley Rothman and Linda S. Lichter, The Media Elite: America's New Power Brokers (Washington: Adler and Adler, 1986), p. 28.

<sup>198</sup> See Richard Lowenthal, "The Future of the 'Social Democratic Consensus'," Dissent, Winter 1982, p. 101.

<sup>199</sup> Hollander, The Survival, pp. 16-18.

This pattern has been prevalent abroad in recent years, where the intellectuals, intelligentsia and students form the largest base of support for Green, ecologically concerned, political parties and tendencies in many countries.<sup>200</sup> Still, the bulk of the intellectuals in Europe and Japan have dropped their former allegiance to Marxism. British intellectuals and academics have backed center left parties, Swedish professors have supported non-socialist groups. French intellectuals turned very anti-Marxist and were anti-Soviet hard liners during the seventies and eighties.<sup>201</sup> Japanese academics have also moved to the right.<sup>202</sup> Their behavior in part stems from their past links to strong socialist, labor, and, in Italy and France, Communist, parties. Socialism as a Utopia clearly has failed, both in its authoritarian and democratic forms. Many intellectuals previously involved with left politics have turned away. An analyst of Swedish society, Ron Eyerman, in explaining why Swedish intellectuals, unlike American, have not been "an alienated stratum with an independent tradition vis a vis the state," points out that Swedish intellectualdom, even when on the Left, "found itself at the center, rather than the margins, of society." Intellectuals there could take part in the large labor and social democratic movements. The "alienated intelligentsia that did exist was limited to the arena of high culture," not academe.<sup>203</sup>

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<sup>200</sup> Lipset, Consensus and Conflict, pp. 194-205.

<sup>201</sup> For a description of the way the change occurred, see Tony Judt, Marxism and the French Left (New York: Oxford University Press, 1986). See also Mark Kesselman, "Lyrical Illusions or a Socialism of Governance: Whither French Socialism?" Ralph Miliband, John Saville, Marcel Liebman and Leo Panitch, eds. Socialist Register 1985/86 (London: The Merlin Press, 1986,) pp. 240-242.

<sup>202</sup> Masakazu Yamazaki, "The Intellectual Community of the Showa Era," Daedalus, Summer 1990, pp. 260-262.

<sup>203</sup> Ron Eyerman, "Intellectuals and the State: A Framework for Analysis, with special reference to the United States and Sweden," (unpublished paper, University of Lund, 1990), p. 18.

The American situation has been quite different. Except for economists and other policy oriented experts, few academics and other intellectuals have had a direct involvement in partisan politics. Leftist politics, particularly since World War II, has been too small a matter to count, and trade unions disdain intellectuals. There has been little application of radical theory to policy. As a consequence, Gray emphasizes, the American "academic class ... uses the rhetoric and theorizing of the radical intelligentsia of Europe a decade or a generation ago to legitimate its estrangement from its own culture.... American academic Marxism ... [is] politically irrelevant and marginal ... [and] compensates for its manifest political nullity by seeking hegemony within academic institutions."<sup>204</sup> Leftist ideologies, therefore, have been academic in both senses of the word. As noted, they remain important in the university world, and a larger segment of the American intelligentsia appear inclined to support leftist ideologies than do their compeers in most European countries.<sup>205</sup> And through their numbers and position in the media and university worlds, they have considerable influence on the political agenda of Democratic party activists.

Is change likely in America? If European politics now increasingly resembles the historic United States pattern, will the United States, after the increased ideological and cultural

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<sup>203</sup> Ron Eyerman, "Intellectuals and the State: A Framework for Analysis, with special reference to the United States and Sweden," (unpublished paper, University of Lund, 1990), p. 18.

<sup>204</sup> Gray, "Fashion, fantasy, or fiasco?," pp. 183-184.

<sup>205</sup> A striking example is John Kenneth Galbraith who, at a conference in July 1990 on economic reforms in east Europe, railed against the "primitive ideology" of rapid movement toward market economics. He made "a veiled attack on the privatisation programmes planned by some east European governments...." "East Europe Warned Over Fast Economic Change," Financial Times, July 6, 1990, p. 2. See his critique of developments in Eastern Europe in "The Rush to Capitalism," New York Review of Books, October 25, 1990, pp. 51-52.

cleavage of the sixties and seventies, move back (or forward) towards a new decline of ideology? Such a change would require shifts among the intelligentsia. They were stimulated and radicalized during the sixties and early seventies by Communist and other leftist triumphs in the Third World. Given the weakness of radicalism within the United States and the evident failure of the major Communist systems in the Soviet Union and China, the alienation of American intellectuals from their own society found an emotional outlet in enthusiasm for revolutionary anti-American movements in Asia, Africa and Latin America. The American intellectual Left, however, is now faced with the collapse, not only of traditional leftist dogmas in Eastern and Western Europe, but the repudiation of socialist or Marxist-Leninist commitments and movement toward nominal acceptance of market economics and party pluralism in the less developed countries as well.

There are no socialist Third World models to inspire leftist intelligentsia, including particularly Indo China and Nicaragua, whose Marxist movements once strongly appealed to American liberals and leftists.<sup>206</sup> Now, however, those regimes and parties have openly acknowledged the failings of statism in the economy.

Although few among left-leaning American intelligentsia have been sympathetic to the Soviet Union in recent decades, the effective rejection of Marxist doctrine there should have an impact on liberal orientations here, much as it has affected socialists in other countries. Gennadi Gerasimov, a major government spokesperson, has described the "ideological quarrel" in his country and governing party as "between those who read too much

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<sup>206</sup> For review, see Marguerite Michaels, "Continental Shift," Time, May 21, 1990, pp. 34-36. See also Werner Thomas, "Die Guerilleros in Lateinamerika Kampfen gegen die Zeit," Die Welt, July 10, 1990, p. 2.

Karl Marx ... and those others who are more pragmatic."<sup>207</sup> In an article published with the express approval of Foreign Minister Eduard Shevardnadze in the summer of 1988 in International Affairs, a publication of the Soviet Foreign Ministry, Andrey Kozyrev, a high official in the Ministry, wrote in tandem with his Vietnamese colleague cited earlier that most developing countries "suffer not so much from capitalism as from a lack of it."<sup>208</sup> At a conference of senior Soviet economists held in November 1989, the leading economic policy-maker, Leonid Abalkin, director of the Soviet Academy of Sciences' Institute of the Economy and a Deputy Prime Minister, noted that the private market is "the most democratic form of regulating economic activity." He advocated the introduction of an open stock market and the use of (Friedmanite) monetary policy rather than government regulation to affect demand.<sup>209</sup> The 452 page detailed programmatic analysis of the Soviet economy issued the second week of September 1990 under Mikhail Gorbachev's sponsorship explicitly states: "Mankind has not succeeded in creating anything more efficient than a market

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<sup>207</sup> "The New Soviet Man, An Interview with Gerasimov," The National Review, August 20, 1990, p. 31.

<sup>208</sup> Andrey V. Kozyrev, "Why Soviet Foreign Policy Went Sour," The New York Times, January 7, 1989, p. 27. He also noted that the Soviet Union's direct and indirect involvement in Third World "regional conflicts leads to colossal losses by increasing general international tensions, justifying the arms race and hindering the establishment of mutually advantageous ties with the West."

<sup>209</sup> Peter Passell, "Soviet Deputy Prime Minister is Seeking a Safe Path Through a Time of Change," The New York Times, January 1, 1990, p. A23. The argument has been reiterated more recently by Gorbachev's personal economic adviser, Nikolai Y. Petrakev, who in an interview on June 8, 1990, "supported a decree already drafted to rapidly denationalize state-owned industry by creating a stock market and selling shares to the public." Bill Keller, "Speedup Change, Soviet Aide Urges," The New York Times, June 10, 1990, p. 12Y. For the text of an earlier interview with Petrakev along the same lines, see "Can the Russians Really Reform?," Fortune, May 7, 1990, pp. 117-122.

economy."<sup>210</sup> Equally important is the emergence within the Soviet Communist party of criticisms which place the blame for Stalinism and economic failure on Marx and Lenin. Even more astonishing is that at a conference on the party and perestroika at the Higher Party School in Moscow, the Marxist-Leninist fathers were ignored, while statements by Max Weber and Talcott Parsons were invoked to justify reform.<sup>211</sup> A Soviet think tank and extremely successful publisher, Humanus, has scheduled the translation of the works of Durkheim, Parsons and Weber.

Some indication that the changes among the Left abroad are affecting radical intellectuals in the United States may be found in a magazine published by a leading Democratic activist, Stanley Sheinbaum, who has worked closely with socialists here and in Europe. The New Perspectives Quarterly proclaims in the introduction to a symposium on "The Triumph of Capitalism," "The great ideological contest of our century is over. The once maligned market has, after all, turned out to be materialist man's best friend." And the editors call attention to the fact that the "Soviet ideology chief has said ... 'we must now admit that our concepts of public property have proven untenable,'" that socialism has lost out in the "race for economic development."<sup>212</sup>

More striking, perhaps, is the public change of view of a major socialist economist, Robert Heilbroner, who holds the Norman Thomas chair at the New School for Social Research. He states unequivocally, "the contest between capitalism and socialism is

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<sup>210</sup> Michael Dobbs, "A Plan for Two-Year Revolution," *The Washington Post*, September 14, 1990, p. 1.

<sup>211</sup> S. Frederick Starr, "Pooped Party," *The New Republic*, December 4, 1989, p.

<sup>212</sup> "The Triumph of Capitalism," *New Perspectives Quarterly*, Fall, 1989, p. 4.

over: capitalism has won."<sup>213</sup> And he notes:

For the first time in this century - and for the first time in my life - I would argue that socialism has no plausible economic framework. Only half a century ago, the great question was how rapidly the transformation from capitalism to socialism would take place.... Now the great question of the last years of this century must be posed the other way....<sup>214</sup>

He goes on to emphasize that capitalism's success is not just political, but also economic, that the evidence shows the market to be successful. This is even true in "the periphery. Look at the fantastically successful Asian countries like Korea, Singapore, Taiwan and Thailand."<sup>215</sup> Heilbroner points out that he is not alone among American socialists, that "America's most renowned socialist figure, Michael Harrington, ... in his last book [he died in 1989], Socialism, Past and Future" was only "able to rescue out of all the conventional definitions of socialism ... the importance of continuous, voluntaristic pressure for social justice. For better or worse that is what remains of socialism today."<sup>216</sup>

Possibilities for a Democratic shift to the right are countered by the civil rights issue. Inequalities linked to race and other birth-right attributes offend the universalistic norms of intellectualdom, and well organized pressure groups stimulate these sensibilities. Faced by growing crime rates and a highly visible population of homeless and beggars, the liberally disposed among the educated affluent support a symbolic politics of redistribution, while the minorities they back need such politics.

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<sup>213</sup> Robert Heilbroner, "The Triumph of Capitalism," The New Yorker, January 23, 1989, p. 98.

<sup>214</sup> Robert Heilbroner, "No Alternative to Capitalism," New Perspectives Quarterly, Fall 1989, p. 4.

<sup>215</sup> Ibid., p. 7.

<sup>216</sup> Ibid., p. 10. See Michael Harrington, Socialism: Past and Future (New York: Arcade Publishing, 1989), pp. 248-278.

Together they constitute a major portion of those who vote in Democratic primaries. But numerous polls show that most Americans oppose affirmative action quotas and object to tax increases intended to enlarge the scope of the welfare state, with the exception of government provided health services.

#### CONCLUSION

The similarities in policy changes among the socialist parties worldwide are so prevalent as to suggest that the Socialist International resembles the Comintern of Lenin and Stalin in its ability to command conformity from member parties. As should be obvious, nothing is further from the truth. The International has no power over affiliates. It is largely a discussion body. Still as Neil Kinnock has said, "the same broad attitudes ... [have been] adopted, not only by the democratic socialists and social democratic parties, ... but also amongst the reform wing of the old Communist parties." These involve "a general realization that you need the combination of the market and the socially responsible community..."<sup>217</sup> Commenting on the democratic socialists of Eastern Europe, The Economist notes that they also have begun to question whether "There really was a 'middle road.'" between communism and capitalism. Like their compeers in the West, they too "accept the goal of enterprise economy...."<sup>218</sup>

Social Democrats the world over have been convinced that "they should adjust their program to the experiences history provides.... Social Democrats (no matter what the official title of their party) will not bring about 'socialism,' but this does not necessarily

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<sup>217</sup> Patrick Wintour, "Kinnock Seeking Strategy to Speed Reform in East," The Guardian, December 21, 1989, p. 6.

<sup>218</sup> "Eastern Europe Moves Right. No Halfway House," The Economist, March 24, 1990, p. 22.

imply that they are 'doomed to failure.' They have simply changed their minds."<sup>219</sup> Basically, as Adam Przeworski concludes, social democrats now "struggle to make capitalism more efficient and humane."<sup>220</sup> As Regis Debray points out, if the socialist leaders were to "tell the truth" about their role today, they would say it is "to carry out the politics of the Right, but more intelligently and in a more rational manner."<sup>221</sup> What produces the parallelism is responses to common experiences and exposures to like analyses and advice from most economists, as well as, in recent years, the breakdown in the Communist system.

The "realization" Kinnock speaks of is based on fact. State-owned industries have proven less efficient than private concerns. Competition has shown itself to be a much greater stimulant to change and economic growth than are private or public monopolies. Incentives, differential rewards, profits, make for a greater commitment to work by employees and more reliable and attractive products from entrepreneurs. There is clearly a threshold beyond which taxes act as deterrents for both labor and capital. Redistributive tax policies designed to benefit the underprivileged, no matter how moral they may seem, are dysfunctional if they slow down investment and productivity. These realities of market economics are now largely accepted by many communists and socialists, though seemingly less so by American Democrats.

In line with this, a recent comparative study of tax policies finds that the effective corporate tax rate in socialist Sweden is much lower than in Republican-led America. The Reagan Republicans

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<sup>219</sup> Steinmo, "Social Democracy," p. 438.

<sup>220</sup> Przeworski, Capitalism and Social Democracy, p. 206.

<sup>221</sup> Debray, "What's Left of the Left," p. 27.

have been able to modify, but not reverse, the policies of previous governments. As Sven Steinmo documents, "when all taxes are considered ..., the United States relies substantially more heavily on 'redistributive' individual and corporate income taxes and property inheritance and wealth taxes than either Britain and Sweden."<sup>222</sup> The United States "taxes capital gains more heavily than any of its democratic counterparts."<sup>223</sup> The 1986 Democratic Congress made capital gains taxable like ordinary incomes and party legislative leaders reject Bush's arguments that a reduction will encourage investments. They prefer to emphasize that such a change would violate tax progressivity.<sup>224</sup> Most social democratic parties would agree with Bush.

It is important to reiterate that since the United States has never been governed by a social democratic party, judgements about the Democratic party's leftward course and the rightward one of socialist movements elsewhere do not imply that the American organization is becoming as committed to statism as its foreign left-of-center brethren have been. Though operating within a more anti-statist, Protestant sectarian, moralistic, and individualistic polity than Euro-Commonwealth nations with their Tory-Social Democratic, established Church and group-centered values and institutions, the Democrats, though not the American public, are moving from the nation's historically dominant

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<sup>222</sup> Sven Steinmo, "Political Institutions and Tax Policy in the United States, Sweden and Britain," *World Politics*, July 1989, p. 504.

<sup>223</sup> *Ibid.*, p. 509.

<sup>224</sup> Henry Aaron, "The Impossible Dream Comes True: The New Tax Reform Act," *The Brookings Review*, Winter 1987, p. 6; Committee on Ways and Means, U.S. House of Representatives, *Tax Progressivity and Income Distribution*. Prepared for the use of the Committee on Ways and Means by its majority staff (Washington: U.S. Government Printing Office, 1990), pp. 53-55.

traditions towards more European left orientations. Meanwhile, the European social democrats are shifting toward more classically liberal, less state-centered and more individual rights oriented concerns. While the trans-Atlantic Lefts appear to be approaching each other ideologically on many issues, these changes, as we have seen, involve the Democrats moving to the left, away from the electorally rewarding center, and the Social Democrats going to the right, toward the center of their national politics.<sup>225</sup> This is the conundrum I am trying to explain.

Some of the factors which have historically stimulated economic growth - and thus the failure of socialism in the United States - the emphases on the values of individualism and laissez-faire, and the lack of communalism, now enable the American Left to ignore national needs and to follow the logic of their ideology: to favor higher taxes, redistributive and nationalist economic programs, and permissive cultural politics and morality. Some would, of course, suggest that these emphases, particularly as related to economic and welfare needs, are a response to the increase in income inequality and the growth of poverty, notably reflected in the rising numbers of homeless that occurred during the Reagan era.<sup>226</sup> While there can be no doubt about these trends, the comparative record suggests somewhat similar patterns elsewhere. Unemployment has been much higher in most developed countries, e.g., Australia, Belgium, Britain, Canada, France, Germany, Italy, and Spain, than in the United

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<sup>225</sup>Evidence bearing on the difference in the dominant orientation toward the state between the United States and other countries may be found in Robert Y. Shapiro and John T. Young, "Public Opinion Toward Social Welfare Policies: The United States in Comparative Perspective," *Research in Micropolitics*, vol. 3 (Greenwich, CN: JAI Press, 1990), pp. 143-186; and "America: A Unique Outlook?," *The American Enterprise*, March/April 1990, pp. 113-120.

<sup>226</sup> Lipset, *Continental Divide*, p. 39; Kevin Philips, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York: Random House, 1990).

States.<sup>227</sup> According to Forbes, the proportion of the very wealthy has also been greater in other developed countries, e.g., Canada, Germany, Japan and Sweden have many more multibillionaire families, with two billion dollars or more, per capita. Fortune's report on the same subject adds Britain, the Netherlands, Switzerland and Taiwan to those who top the United States in this respect.<sup>228</sup> Europe, Canada and Japan are also characterized by greater concentration of economic power in fewer corporate hands.<sup>229</sup> In Sweden, after almost half a century of Social Democratic government, the distribution of wealth "was still heavily skewed: a 1981 survey showed that 89 percent of households owned no shares; while less than 0.3 percent of households owned half of all the shares held by individuals...."<sup>230</sup> An article in Barron's notes that "a few big investors basically control the bulk of Swedish firms."<sup>231</sup> More recently, the Social Democratic government has encouraged the increased concentration of financial resources through merging all the private banks into four units and having them unite "with the country's insurance companies to create even bigger financial powerhouses...."<sup>232</sup> As of 1980-81, the

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<sup>227</sup> Douglas Webber, "Social Democracy and the Re-emergence of Mass Unemployment in Western Europe," William E. Patterson and Alastair H. Thomas, eds., The Future of Social Democracy (Oxford: Clarendon Press, 1986), pp. 36-49; "Economic and Financial Indicators," The Economist, July 21, 1990, p. 101. Conversely, the United States and Canada have experienced a much greater increase in the number of new jobs created between 1973 and 1986 than Japan and Europe. Angus Maddison, The World Economy in the 20th Century (Paris: Development Centre of the O.E.C.D., 1989), p. 132.

<sup>228</sup> "The World's Billionaires," Forbes, July 23, 1990, pp. 189, 255; Julianne Slovak, "The Billionaires Rank by Net Worth," Fortune, September 11, 1989, pp. 73-133.

<sup>229</sup> Lipset, Continental Divide, pp. 129-134.

<sup>230</sup> Alastair H. Thomas, "Social Democracy in Scandinavia: Can Dominance be Regained?," Patterson and Thomas, eds., The Future of Social Democracy, p. 203.

<sup>231</sup> Crovitz, "Sweden's Crackup," p. 10.

<sup>232</sup> John Burton, "Insurance Against Hard Times Ahead," Financial Times, November 2, 1990, p. 25.

latest comparable figures available, the distribution of disposable household income was significantly more unequal in Sweden than in the United States.<sup>233</sup>

Those who seek to strengthen the structure of the American left party and make it more effective -- the Democratic Leadership Council led by Senators Sam Nunn and Charles Robb, the California State Committee chaired by former Governor Jerry Brown, and the "old school" party leaders headed by Robert Strauss -- find themselves up against an institutionalized and activist egalitarianism. In Christopher Matthews' words, the new party strengtheners pine for a party that is "a bit less democratic but a great deal more united."<sup>234</sup> Robb calls for the party's "disenthraling itself from the spell of the new activist elite," and seeks the reassertion of "the primacy of the national party over individual agendas of particular constituencies."<sup>235</sup> As Strauss puts it: "We need a candidate who looks like he can run the show. Leadership and toughness are what ... [we're] looking for." Another party leader, Bob Beckel, who managed Mondale's campaign, states: "We party leaders need to start guiding the process and stop being dominated by it."<sup>236</sup> What they hope for is an organization capable of performing the major functions which define parties elsewhere, such as nominating electable candidates and drawing up programs with maximum voter appeal. In other words, they would like the Democratic party to become like the Social Democrats of other Western

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<sup>233</sup> Peter Stein, "Sweden: Failure of the Welfare State," Journal of Economic Growth, 2 no. 4 (1989), p. 38.

<sup>234</sup> Matthews, "Democrats," p. A25.

<sup>235</sup> Charles S. Robb, New Directions, Enduring Values (Washington: Democratic Leadership Council, 1988), p. 34.

<sup>236</sup> Matthews, "Democrats," p. A25.

countries, ironically to end American political exceptionalism by moving their party to the right.

The seemingly universal shift abroad to support of capitalism and the free market, however, may also be of short duration. As strong advocates of such systems, Joseph Schumpeter and, more recently, Irving Kristol, have noted, they do not have the same pretensions to solve major human problems that socialism and communism once had. Capitalism, the free market, is not a Utopian ideology even when limited to economic considerations.<sup>237</sup> At best it holds out the promise of a lottery, but, like all such awards, the jackpots go to a relatively small minority of players. Hence, there must be many "losers," some of whom will be receptive to reformist or anti-system movements. The distribution of rewards must be greatly unequal, and, as Tocqueville pointed out a century and a half ago, the idea of equality presses the underprivileged to support redistributionist parties and policies.

At the center of free market ideology is an emphasis on self-interest, in invidious terms, on greed. The argument has been put from Adam Smith to Milton Friedman that the uninhibited pursuit of personal or institutional gain will result in a steadily growing economy from which all benefit regardless of status or wealth. But as we know, not only are there individual variations in achievement or failure, but countries have differed substantially in economic performance. And the business cycle, which seems inherent in market economies, not only fosters growth, it implies downswings as well, periods of increased unemployment and/or high rates of inflation.

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<sup>237</sup> Joseph Schumpeter, Capitalism, Socialism and Democracy (London: George Allen & Unwin, 1976), esp. pp. 131-163, 421-425; Irving Kristol, Two Cheers for Capitalism (New York: Basic Books, 1978), esp. pp. 153-187, 255-270.

Renewed disdain for capitalism is also inherent in the market situation's emphasis on mundane rationality, not on ideals. As Kristol argues, the "real trouble [with capitalism] is not sociological or economic at all. It is that the 'middling' nature of a bourgeois society falls short of corresponding adequately to the full range of man's spiritual nature, which makes more than middling demands upon the universe, and demands more than middling answers. This weakness of bourgeois society has been highlighted by its intellectual critics from the very beginning."<sup>238</sup> Capitalism fails to generate effective community values. Its failures have placed it at odds with many religious communities. The Roman Catholic church offers a striking current example as it presents a collectivist, corporatist, solidaristic, familial model of social relations. The present Pope, John Paul II, though playing a major role in bringing communism down in his native Poland, is a declared opponent of capitalism, which he sees as a system based on selfishness resulting in inequality and poverty. In viewing the free market negatively, he follows an at least half millenium old Catholic tradition which has fostered communitarianism, i.e., noblesse oblige or welfare state values.

Capitalism, which does not promise to eliminate poverty, racism, sexism, pollution or war cannot appeal in idealistic terms to the young. And as Aristotle emphasized 2500 years ago, the young, and, it may be added, intellectuals, look for total solutions. Hence, new movements, new ideologies, even old ones which hold out reformist and Utopian promises, will appear. Communitarian concerns will relegitimate the state as a social actor which promises to change for the better, to reduce, if not eliminate, inequality in social, gender, race, even more than

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<sup>238</sup> Ibid., pp. 186-187.

economic, terms. To these may be added environmental concerns. Not surprisingly, such issues have begun to take priority among left-wing parties, both old, i.e., social democratic, and others, e.g., the Greens and new liberals. Classic free market liberals resist such policies as requiring interference with the market and free competition.

The struggle between the Left, the advocates of change, and the Right, perceived as defenders of the status quo, is not over. In the once Communist-dominated countries, the terms left and liberal are now used to describe free market and democratic tendencies which seek to reduce the power of the state bureaucracies, the words right and conservative refer to groups which defend state controls. Ironically, this is the way these ideological concepts were first used in much of the nineteenth century. In the West, following the rise of socialist movements, left came to mean greater emphasis on communitarianism and equality, on the state as an instrument of reform. The right, linked to defensive establishments, has, particularly since World War II, been identified with opposition to governmental intervention. Even if socialism is now a dirty word, the contest between these two orientations has not ended. Political history, conflict, will continue.