

# Features

## Social democracy in the age of austerity and resistance: the radical potential of democratising capital

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### Social democracy at a crossroads

Historians joke that, no matter what the period, the middle class is always rising. In the same vein, social democracy seems perpetually at a crossroads. This may not be surprising, given the revisionist origins and protean political tendencies of a tradition whose leadership has always been prepared to hedge and trim and accommodate to the prevailing political winds. But today, more than a hundred years after the first of the parties affiliated to the Second International won a plurality in a parliamentary election (in Finland in 1907; Anderson, 1992, 307), social democracy may finally be running out of rope. All the main European social democratic parties are facing a crisis, registering at long last endlessly postponed questions about their fundamental purpose and programme. The strategic choices they make now and in the next few years could determine whether social democracy survives as the principal political force on the left or finally gives up the ghost, expiring not with a bang but a whimper and with scarcely a mourner at the funeral.

As with the last great crisis of social democracy in the 1970s, today's stark choices are being posed as the result of a major economic shift within capitalism: the deep disruption of capital accumulation as a consequence of the crisis in global financial markets unleashed in 2008. With the end of the recent long boom – or rather, long bubble, given that profits were extracted through serial asset inflations in 'unlikely domains' such as subprime mortgages via 'unlikely instruments' such as credit-default swaps (Sassen, 2011, 21) – social democrats have been dealt a tremendous double whammy. On the one hand, their decade-long strategy of full accommodation to neo-liberalism in order to skim off the surplus for ameliorative social spending has collapsed with the end of the growth upon which it depended. On the other, they have fallen victim to a breathtaking act of political jujitsu. Contrary to many expectations, the crisis has not thus far unseated neo-liberalism as the reigning economic paradigm, and with this 'strange non-death' (Crouch, 2011) financiers and the political right have neatly turned the tables on the centre-left. The big banks, having caused the crisis in the first place and led governments to borrow vast sums to come to their aid, have successfully redefined the resulting fiscal deficits as entailing cuts to public spending and social protection. Similarly, sovereign debt crises are painted as cause rather than effect of the downturn. Social democrats have thus been cut off from



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the exits, unable to escape into the soft neo-Keynesianism that is their more progressive reflex.

Stuck in this quandary, social democracy is unlikely to be afforded any relief by the markets. Rather than giving way to a resumption of growth, the Great Recession shows every sign of turning instead into a Long Slump. The latest economic figures reveal a poor outlook for Europe, with the eurozone in double-dip recession and the euro-crisis staggering toward an increasingly inevitable terminus. Meanwhile, Chinese growth is slowing, and the sluggish American recovery remains beset with difficulties real and imagined, with a divided Washington fully capable of administering self-inflicted wounds. Nor is a return to pre-crisis global economic relations on the cards. The increasingly high-handed lectures being delivered to Europeans by sovereign wealth fund managers from emerging economies suggest the acceleration of a transition already well underway before the collapse of Lehman Brothers – a shift away from Europe in the underlying balance of global economic power (Calhoun and Derluguian, 2011, 7).

Nature, too, has some nasty surprises in store for us: ‘The repo girl is at the door’ (Davis, 2012). As a result of global warming *that has already occurred* it is now too late to avoid ‘a cascade of local and regional “natural” disasters in the medium term’ (Barnes and Gilman, 2011, 43). Price shocks, supply disruptions, dislocations, the rising costs of urban coastal infrastructure and remediation efforts: Hurricane Sandy – a direct hit on the world’s financial and media capital at an estimated cost of \$50 billion and counting – is the shape of things to come. At the same time, a \$20 trillion bubble of ‘unburnable carbon’ inside the global financial system (Carbon Tracker Initiative, 2012) will require – if the planet is to be saved – deliberate capital destruction on a scale roughly twice that of the end of slavery (Williamson and Cain, 2011).

Even when – *if* – growth resumes, it will not deliver on the promises with which it is being invested. A modelling exercise for the Resolution Foundation by the Institute for Employment Research and the Institute for Fiscal Studies finds that on the basis of annual average UK growth of 2.5 per cent from 2015-2020 – an optimistic scenario – and no further cuts in public spending, living standards will fall for low and middle income households by between 3 and 15 per cent (Brewer et al., 2012). Only the rich will escape this ravaging maw of austerity. We may not quite be facing the ‘end of growth’ (Heinberg, 2011) altogether, but it would be a foolhardy politics that retained any strategy relying upon a return, even in the medium term, to anything approaching normality or the *status quo ante*.

It is in these circumstances that the political battle lines of the coming era are being drawn. For all the difficulties, the crisis has at least smashed the false separation of politics from the market that has been a precondition of neo-liberal theory. As governments move to close schools, pare back local authorities, cut public spending and reduce wages, they are conjuring up a series of class struggles that are already playing out in the streets. Continuing through this tunnel of pain, the hope for the left should be to emerge from the other end with a new political economy and a system design truly capable of sustaining democracy, equality and community, while meeting head on the challenges of concentrated ownership and power and ecological meltdown. The question is whether social democracy will play its part in the development of these solutions or whether it will end up being an obstacle on the road to systemic change.

### Morbid symptoms

How have Europe’s social democrats responded to this conjuncture? It has to be said that the early signs are not propitious. There are ‘morbid symptoms’ aplenty, of precisely the



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kind Gramsci ascribed to a crisis interregnum in which 'the old is dying and the new cannot be born' (Gramsci, 1971, 276). To begin with, there has been a near-total lack of solidarity among the parties of the Socialist International, whether in government or opposition, as they have fallen in with the needs of their own national capitalisms, narrowly defined. The mask of the much vaunted European social model – offered just a few short years ago as a 'paragon' for the rest of humanity – has slipped badly, revealing the true features of northern capital that was behind it all along:

Once crisis struck, cohesion in the eurozone could only come, not from social expenditure, but political dictation – the enforcement by Germany, at the head of a bloc of smaller northern states, of draconian austerity programmes, unthinkable for its own citizens, on the southern periphery, no longer able to recover competitiveness by devaluation. (Anderson, 2012, 56-7)

The politics of austerity is proving as disruptive as the economics. To the 'zombie households, companies and banks' of the post-crisis landscape (Giles, 2012) must now be added 'zombie governments'. A horror show of decrepit political formations not seen since the inter-war years has been exhumed from the crypt and installed across Europe: national governments, externally-imposed technocrats, even – in Greece – a troika-dictated regimen 'reminiscent of Austria in 1922, when a High Commissioner was posted to Vienna by the Entente – under League of Nations colours – to run the economy to its satisfaction' (Anderson, 2012, 57). Unsurprisingly, turnouts at elections – those dark nights in which all cats are grey – are falling, but this has not prevented an anti-incumbency tide sweeping over Europe to which governing parties in country after country – Britain, Ireland, Spain, Portugal, France – have succumbed. The likelihood of continuing political volatility can be seen in the fact that, for the most part, their successors are prescribing even larger doses of the same awful medicine.

Against this backdrop, many social democrats – still desperate to haunt the 'house of power' (Weber, 1991, 194) – have begun to position themselves as the left wing of austerity:

- In Ireland – where GDP fell an astonishing 13.5 per cent between 2009 and 2011, and even the IMF admits to vastly underestimating the impact of austerity – the electorate delivered an annihilating verdict on Fianna Fáil. But Irish Labour has once again entered into coalition with Fine Gael and is now carrying the can for the government, receiving its customary recompense in the opinion polls.
- In the Netherlands, the Dutch Labour Party beat back a challenge from the Socialist Party only to join a pro-austerity, pro-Europe coalition propping up a conservative prime minister. On the back of previous austerity measures that have driven unemployment to a 15-year high, the Dutch coalition has announced a stinging €16 billion in additional cuts accompanied by an increase in VAT – the latter particularly punishing given falling real wages.
- In France, hopes that Socialist president François Hollande, newly installed at the Élysée Palace, might rally the centre-left for a challenge to German-led austerity have quickly given way to disappointment as Paris reached its own *détente* with Berlin. Hollande has seen his poll ratings plunge to the lowest level ever afforded a new French president.



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- In Germany, hopes for change in the bastion of austerity policies seem highly doubtful. The SPD is running Peer Steinbrück, perhaps the most conservative of the leading social democratic contenders, against Angela Merkel in 2013. Merkel is looking increasingly unassailable.

One result of this posture is that social democracy is beginning to face significant challenges from the left: from Sinn Féin in Ireland, the Socialist Party in Holland, Die Linke in Germany, the Front de gauche in France (Watkins, 2012; Riley, 2012). Thus far, existing party systems have just about contained the fallout. Greece, however, is the counter example, and should serve as a cautionary tale. The Panhellenic Socialist Movement (PASOK) went into the May 2012 elections on the back of a 43.9 per cent showing last time around but carrying heavy baggage as a signatory of the troika memorandum. The retribution it was dealt was impressive. PASOK slumped to 13.2 per cent, a fall of some 2.2 million votes since 2009. New Democracy, meanwhile – the main party of the centre right – also lost ground:

At 32 per cent, the combined total for the two ‘parties of government’ was less than half their aggregate support in the previous elections. PASOK’s vote share was even lower than the 13.4 per cent it secured on its first appearance in 1974. Similarly, ND’s vote share was the lowest ever received by the main party of the right since the inter-war period. (Mavris, 2012, 97)

The main beneficiary of this rupture has been Syriza, the left coalition, which trebled its vote to 16.8 per cent. The response of social democrats elsewhere in Europe has been to heap vitriol on Syriza and paint its leader, Alexis Tsipras, in the most lurid of colours. His crime? Opposing austerity and daring to put forward what amounts to a genuine social democratic platform.

### **From Keynesianism to neo-liberalism and back again**

The difficulties facing social democrats today are deeply embedded in their history. Always more pleased with itself than its record would warrant, social democracy must now make a true reckoning with that history if it is to emerge from the current crisis as a continuing force for progressive change.

Social democrats first entered government in the inter-war period, ‘largely as temporary shock-absorbers in the great European turbulence that followed the Armistice’ (Anderson, 1992, 308). Part of their function was containment and suppression of political unrest. The widespread belief that they were moving with an inevitable historical current seemingly absolved them of the need for any specific economic programme of their own, and as a result they did not initially make their mark anywhere. ‘The conformism which has been part and parcel of social democracy from the beginning’, Walter Benjamin observed, ‘attaches not only to its political tactics but to its economic views as well’ (Benjamin, 1969, 258). In Berlin in 1923, the SPD’s Rudolf Hilferding was a model of economic orthodoxy; as was Philip Snowden in London in 1924, Chancellor in a minority Labour government that busied itself with nothing much besides RAF bombing of recalcitrant tribes in Iraq (Elliott, 1993, 38).

It was not political victory but total war that first installed social democracy in government with an effective economic programme of counter-cyclical demand management and welfare state expenditure. In this, social democrats were borrowing the clothes of two heirs



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of nineteenth-century liberal progressivism, Keynes and Beveridge (Elliott, 1993, 57). It was a fortuitous piece of political cross-dressing. With the Second World War and victory over fascism, there was a mass influx of workers into unions and politics across Europe. Combined with the unique circumstances of the post-war period – massive destruction of capital, plant and matériel in the war; the injection of Marshall aid; military Keynesianism in the Cold War arms race; and the importation of a Fordist model of consumption two decades after it had first appeared in the United States – the stage was set for an extended period of broad-based economic growth that could accommodate both increased profit rates for capital and higher real living standards for labour (Anderson, 1992, 310). Thus began *les trente glorieuses*, the ‘thirty glorious years’ of the post-war boom. Among the principal beneficiaries of this golden age was social democracy, which had now found its *raison d’être*:

Keynesianism suddenly provided working-class political parties with a reason to be in office. It appeared that there was something to be done, that the economy was not moving according to natural laws, that economic crises could be attenuated and the waste of resources and the suffering alleviated if the state pursued anticyclical policies of demand management. If the economy was producing at a level below its capacity, given the existing stock of capital and labour, a proper government policy could increase output until it approached the economy’s full potential (Przeworski, 1986, 208).

Underpinning it all was the increased political weight of organised labour. The power of trade unions provided social democracy with ‘a place to stand’ vis-à-vis the economy from which to engage in redistributive politics.

The extent of social democratic success during this period should not be overstated. Centre-left parties were not hegemonic, and often found themselves at a disadvantage as against their conservative opponents. Nor did the class struggle simply disappear during the ‘thirty glorious years’. Instead, it was partially displaced onto public budgets through struggles over welfare provision, subsidies to business, military and social spending, conflicts over taxation and the like. In particular, the middle classes became avid consumers of social reforms financed in part by the working class (Elliott, 1993, 60). James O’Connor was among the first to theorise this ‘fiscal’ aspect of the class struggle, pointing to the manipulation of welfare state expenditures to fit the needs of capital accumulation in his 1973 classic, *The Fiscal Crisis of the State* (2002).

The overall weaknesses of this posture eventually became clear. In particular, redistributive social spending was linked to the life of the post-war boom. Even before the oil shocks of the 1970s the terms of this boom were being called into question, as productivity waned and capitalists facing declining rates of profit sought new ways to outflank mass trade union movements. When the onset of stagflation in the 1970s undermined Keynesianism, social democrats had no alternatives to hand. Robin Blackburn’s assessment of this strategic failure bears quoting at length:

the social democratic and Keynesian policies of the post-war era failed to enlist the mass of working people in the consolidation of a new pattern of political economy. Demand management, nationalisation of particular sectors (often those facing losses), ambitious welfare programmes, still left untouched the central dynamic of the private accumulation process. The social weight of organised labour did help to buttress the new priorities for a while but in one country after another the welfare state and full employment were to be eroded by financial counter-measures such as hyper-inflation

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and capital flight (Britain in the 1970s, France and Sweden in the 1980s and 1990s). It was not rising wages which destroyed the 'golden age' but rather the ability of corporations and capital to outflank well-organised labour movements. Governments that failed to find a route to the socialisation of the accumulation process, or to engage the mass of working people in the new social dispensation, became over-reliant on taxation, leading to over-taxation of the middle-income earners in order to pay for welfare programmes burdened by the cost of rising unemployment. (Blackburn, 2002, 506)

All of a sudden, social democrats found themselves face to face with a tough-minded new conservatism. The victory of social democracy in its heyday was to have successfully convinced its conservative opponents of the merits of its formula; now the opposing pattern set in. In the Scandinavian countries, some attempts were made to chart a different course, most notably with the visionary Meidner Plan in Sweden, which would have moved to socialise the benefits of accumulation through a share levy and the creation of wage-earner funds (Pontusson, 1992). Otherwise, it was social democrats themselves who were the first to abandon Keynesianism for monetarism, beginning with the Callaghan government in Britain. With Labour's acceptance of the terms of the 1976 IMF loan, no less a social democratic figure than Anthony Crosland felt compelled to ask: 'Even if the Government survives, does it make such a difference if Labour measures can't be implemented?' (Elliott, 1993, 93).

A few years later the verdict was in. New right-wing governments were installed across the social democratic heartland of northern Europe. 'Their overall mission', in Perry Anderson's summation, 'was to change the relation of forces between capital and labour, where necessary – principally in Britain and America – after tough class struggles to crush resistance to a new order. Deregulation, tax reduction, de-unionisation and privatisation became the main engines of a sustained drive to install a neo-liberal economic framework' (Anderson, 2001, 5). The terms had been set for the 1980s and 1990s.

We are all familiar with the end of this story. The onset of a long period in opposition for social democratic standard-bearers such as Labour in Britain and the SPD in Germany, coupled with continuing slow growth, high unemployment and falling unionisation, led the parties of the Socialist International into a comprehensive accommodation with neo-liberalism – albeit one wrapped in soothing social market rhetoric and homeopathic concessions at the margins. The result? After long years in the wilderness, social democracy was 'the great victor at the *fin-de-siècle* elections' (Moschonas, 2002, 2), with centre-left governments in office in twelve out of fifteen of the countries of the European Union. But recognisably social democratic policies were nowhere to be seen.

In economic terms, these centre-left governments served largely to consolidate neo-liberalism, and in some cases – Britain, Spain – even to extend it. In political terms, they further eroded their own base. Part of the price for re-entry into government had been the total 'transformation of parties that were once built on militants into pure electoral machines' (Singer, 1999, 67). In Britain, Tony Benn had warned of the dangers of creating 'a party with a Cape Canaveral-style rocket-launching function, its sole job being to fire the parliamentary leadership into orbit whenever there is a general election ... [and] fall harmlessly into the Atlantic' (Benn, 1981, 82). By 2010, it would be hard to imagine the Labour Party as anything else.

Once again, the verdict is in. The so-called 'Third Way' was a 'fair-weather formation' totally incapable of withstanding the onset of the Great Recession (Anderson, 2001, 8). Governments of the centre-left have toppled like ninepins. Those social democratic parties fortunate enough to have been in opposition when the crisis struck are struggling to find their feet and advance a credible alternative to austerity. The Third Way itself now appears

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in the rear view mirror as a receding and 'ultimately insignificant conjunctural oscillation in a cycle of electoral decline or stagnation' – with the unfortunate legacy for today's social democrats that 'those elected in the name of effectiveness will be replaced in the name of effectiveness' (Moschonas, 2002, 75, 140). Their economic management credentials already called into question, social democrats may find that an instinctive reaching for warmed-over Keynesian solutions will only further undermine their credibility. As one of the most astute observers of social democracy, Adam Przeworski, warned a long time ago:

Such a response is no longer convincing. It represents a reaction of clinging to old ideas and old policies that the right claims, with some justification, have been tried and found wanting. An obstinate defence of policies associated with past failures abdicates the ideological terrain to the right. (1986, 206)

Conservatives have an in-built strategic advantage over social democrats in the current era of austerity, in which a pared-down neo-liberalism now appears shorn of no-longer-affordable social accoutrements. The neo-liberal consensus never enjoyed the same legitimacy as the post-war consensus but was instead based on division. Part of the reason neo-liberalism has survived the catastrophic market failures of 2008 is that conservatives can still wield such division to their advantage. This is especially true when they are faced with opponents who seem above all else to be shy of reactivating the left/right divide for their own purposes.

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Now for the good news. Social democracy may be at an impasse, but history is once again on the march. From Cairo to Wall Street and from Santiago to the City of London, change is in the air (Schiffrin and Kircher-Allen, 2012). 2011 has already joined 1848, 1968, and 1989 as a 'year of revolution'. More recently, a wave of industrial action has broken out across southern Europe, culminating in general strikes in Spain and Portugal and associated stoppages in Greece, Italy, France and Belgium. As part of this mass political mobilisation, growing numbers of people – especially the young – have begun to conclude that traditional policies to achieve equitable and sustainable social, economic and ecological outcomes simply no longer work. A full-scale legitimisation crisis is in the making. Growing income and wealth disparities are seen to be corrosive of democracy. Governments are judged as lacking the will or capacity to regulate corporations effectively. A generation of young people expects to be worse off than their parents.

Confronted with these realities, more and more people have begun to ask ever more penetrating questions. They see traditional politics as no longer even attempting to address the issues that matter most. To do so would in fact require confronting the need for fundamental systemic change. But what would this entail? And what would a different system even look like?

The social pain arising from the continuing economic crisis has made it possible – for the first time in decades – to pose these questions in a serious fashion. But despite this new space for a major public debate about fundamental change, serious political challenges to the system – from 'Occupy' protestors, community activists, environmentalists and others – have thus far been contained by the continuing sense of a lack of viable alternatives. The only choices have seemed to be corporate capitalism, on the one hand, or state socialism, on the other. Neither seems capable of addressing the problems of the twenty-first century. Neither commands the intellectual and ideological support of a new



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generation of *indignados*. But is there any alternative?

Today there is a real need for – and hunger for – new understanding, new clarity, and a new way forward. At the same time, growing despair at the inability of traditional politics to address economic failings has fuelled an extraordinary amount of practical experimentation. Over the past decades, literally thousands of on-the-ground efforts have been developing. Even experts working on such matters have rarely appreciated the sheer range of activity.

In spite of – or perhaps because of – the lack of many of the social democratic features of European countries, a lot of this experimentation has been taking place in the United States. The Democracy Collaborative has been gathering information on the steadily building array of alternative economic institutions in communities across America (see <http://democracycollaborative.org>). They include social enterprises that undertake businesses to support social missions; non-profit community development corporations (CDCs) and community land trusts that develop and maintain low-income housing; and community development financial institutions (CDFIs) that now invest more than \$5.5 billion a year in creating jobs and housing and providing services for poor communities.

There are other significant developments, too. Employee ownership is on the rise. Around 11,000 businesses are now owned in whole or part by their employees, involving 10 million workers – three million more than are members of private sector unions. More than one in three Americans – 130 million – are members of urban, agricultural and credit union co-operatives. There are also 2,000 publicly-owned utilities that – together with co-operatives – provide some 25 per cent of America's electricity. More and more US states are looking into the creation of public banking systems along the lines of the long-standing public Bank of North Dakota (Alperovitz and Dubb, 2012; Alperovitz, 2013, forthcoming).

Most of these projects, ideas and research efforts have gained traction slowly and received little attention. But in the wake of the financial crisis they have proliferated. They illuminate how new community wealth-holding principles and approaches can work in practice and generate new solutions to political and economic challenges. It is slowly becoming possible to see how, by projecting and extending these practical experiments, the underlying structural building blocks of a new political-economic system might be assembled. What is needed – besides more capital to build up the sector over time – is an integrated and strategic effort to bring all this together and show how, in total, it forms the lineaments of a radically different system capable of delivering superior social, economic and ecological outcomes. The various institutions and elements already work in practice; now we must make them work in theory.

Although this self-conscious discussion about a 'new economy' is perhaps more advanced in the United States, Europe is no stranger to the institutions involved. Indeed, many of them have their origins in the political and economic struggles of the nineteenth- and twentieth-century European labour movement. The birth of the modern co-operative movement can be traced back to the Rochdale pioneers, and now boasts a billion members worldwide (Co-operative Group, 2012, 29). In Italy and Spain – both on the front lines of austerity struggles – there are examples that show the power of these institutions when taken to scale in particular geographical locations.

In the Basque region of Spain, the famous 85,000-person Mondragón co-operative network now has more than \$30 billion in assets across a network of companies that include retail, manufacturing, financial services and education. The seventh largest corporation in Spain, Mondragón has been an important economic anchor amid the crisis. The unemployment rate is much lower in the Basque country than in Spain as a whole; when Mondragón was forced to lay off workers in 2008 and 2009, they were re-hired by other companies within the co-operative network. Likewise, Emilia-Romagna in Italy's *zona rossa*





has given rise to the 'Emilian Model' (Retsakis, 2010). La Lega – the Federation of Co-operatives and Mutual Societies, consisting of more than 8,000 co-operatives – is the largest grouping in the region's co-operative economy, which now involves over 50 per cent of the population and has helped transform Emilia-Romagna from one of the poorest regions in Italy in 1970 to one of the ten richest in Europe today.

Social democrats are often dismissive of co-operatives and the like – seen as a species of 'Owenism' from which they turned aside long ago, or indulged as worthy but irrelevant curiosities. They should think again. No one knows how to reverse the long-term decline of organised labour that has undermined social democratic possibilities. But – having put in the equivalent of the requisite time in the British Museum Reading Room – we do know how to build up other institutional power bases that can provide an alternative 'place to stand' in the twenty-first century economy.

### Taking sides

Social democracy today is bereft of an economic programme. So is the broader left, which has not yet developed an alternative to an unappealing and discredited state socialism. The slow and steady build-up of democratic wealth-holding institutions provides an obvious avenue for the re-animation and re-radicalisation of both, through the generation of a new set of economic institutions and political power bases. But this will require a long-term commitment to evolutionary change and a willingness to step outside of the false choices and immediate constraints of crisis management.

In doing this, the assumptions behind austerity must be called into question. It is a deep irony that the Great Recession is unfolding among some of the richest societies the world has ever known. While the relations of production remain contested, the forces of production have been reaching new heights. In the United States in 2011, the economy produced almost \$200,000 (over £125,000) per family of four. In Britain in the same year, the equivalent number was almost \$150,000 (almost £95,000). In Germany, it was nearly \$160,000 (£100,000). Even in Greece, going through the agony of austerity, production reached over \$100,000 (£63,000) per four-person household (OECD, 2012). This is wealth enough – especially given the resource constraints imposed by climate change and emerging energy, mineral, water and other limits to unending growth. The challenge is not technological but organisational and political. It is a matter of *systemic design*.

Work is already underway to flesh out the elements of what a system based on pluralist forms of democratic capital ownership might look like (Alperovitz, 2013, forthcoming). That there is political space to be occupied in this regard is increasingly evident. In the UK, despite sometimes giving the impression that he is following past Labour leaders in trying to 'creep into office on tiptoe' (Anderson, 1992, 306), Ed Miliband has acknowledged the need for a different institutional basis for Labour's economic strategy with his embrace of 'pre-distribution' (Miliband, 2012). Despite the valiant efforts of left Rawlsians to press down hard on pre-distribution and force it to yield some radical implications (O'Neill and Williamson, 2012; Doron, 2012), in Miliband's formulation it seems a weak reed, relying on labour market interventions such as education and training to alter distributional outcomes. This is unlikely to achieve much. In Germany, where the workforce is highly skilled and high-tech manufacturing jobs have been retained, the price has been continuing stagnation of wage levels. That said, Miliband's impulse is the right one.

Ironically, it has not been the Labour leader but the Conservative Chancellor, George Osborne, who has attempted to seize the issue of employee ownership for his own – albeit as a snare to catch workers and persuade them to give up their workplace rights in



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exchange for a bribe, a form of deregulation by the back door. Likewise, it is not Miliband but the incoming Archbishop of Canterbury, Justin Welby, who has made the most high profile endorsement of the Co-operative Bank as the 'ethical' choice – and in 2012, the UN's international year of co-operatives. Nevertheless, a more natural political home for all these issues is the Labour Party.

For social democracy it eventually comes down to the need to take sides. Whose side are you on? Now is not the time for timidity, for all the old fears about frightening horses with manifestos for radical change; quite the reverse. The upside of an almost total disenchantment on the part of the electorate with politics-as-usual is that they are now ahead of the politicians in this game. People buy the argument that things are not working any more. They experience directly the growing inequity, the insecurity, the unfairness. They are no longer creatures of a discredited media. Now people want to hear, boldly and clearly, an authentic message about change that will make a difference.

Having been dealt out of the game for so long, the left suddenly has everything to play for again. As popular movements and new institutional developments converge, there is the glimpse of a new world in the making. Embracing these possibilities will require abandoning some of the mental furniture acquired from long residence in the house of power. For social democrats, it will also mean becoming – for the very first time in their conformist history – a political force willing to be as radical as reality itself.

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