INTRODUCTION

Social Democracy in Neoliberal Times

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In 1991, John Richards, Robert Cairns and Larry Pratt introduced a collection of essays on the prospects for left renewal in Canada by lamenting the “parochial thinking and practice of the Canadian left,” specifically its conservative defence of special interests and its opposition to innovations that elsewhere have enabled social democrats to harness the market “to social ends” (1991: 8). While acknowledging that capitalist societies are seriously flawed, they turned away from the critique of capital to face “the painful truths about the inadequacies of our own analyses and prescriptions.” In this spirit, Richards et al. called for social democracy “without illusions” (1991: 7).

This book is similarly concerned with the ongoing project of renewing the left in Canada. However, a decade and a half later, the left inhabits a changed political-economic context. Richards et al. wrote at a conjuncture defined by the implosion of state socialism in Eastern Europe and the general triumph of neoliberalism, when conventional thought had turned from the state in favour of the market. In this context, the veracity of Robert Cairns’ (1991: 44) assertion, “although the market provides a constraint to our advancing collective ties, we need to find ways to help make markets work better,” seemed self-evident to many, as did Henry Milner’s (1991: 61) exclamation that social democrats “must not only be prepared to live with capitalism; we should welcome it where it contributes to the real wealth of the community!” The “social democracy without illusions” promulgated by Richards and his colleagues proved remarkably prescient in anticipating the direction of mainstream social democratic thinking (see, for instance, Russell 1999), even if subsequent edited collections examining social democracy and its prospects contained important alternative perspectives (cf. Albo, Langille and Panitch 1993; Gamble and Wright 1999; Berlin and Aster 2001; Glyn 2001). In the ensuing years, a new political paradigm — the Third Way — gained favour, particularly within the British Labour Party but also within sections of Canada’s party of social democracy, the New Democratic Party (NDP). Although the Third Way has been promoted by one of its chief architects, Anthony Giddens (1998), as an approach that lies “beyond” both old-style social democracy and new-style neoliberalism, it is more accurately described as a peculiar hybrid of the two, within which neoliberal priorities predominate over espoused social democratic values. As Colin Crouch observed, what New Labour’s ascension to power in Britain cemented in 1997 was
not a renewed left but a new, neoliberal consensus:

From now on both majorcontending parties in the British state accept the essential neo-liberal tenets: markets should rule under the guidance of entrepreneurs, with minimal intervention from government; taxes and public spending, and in particular the redistributive effect of direct taxation, should be kept down; and trade unions should have as marginal a role as possible. (1997: 352)

This characterization suggests that, contra Richards et al., the Third Way comprises an illusion no less (and probably more) substantial than the illusion under which old-style social democrats came to labour in the post-war years. If it was illusory to think that capitalism, by a gradual accretion of statist reforms, could be transformed into socialism, surely the record of Third Way regimes demonstrates that in the relationship between social democratic governance and the “free” market, it is the latter that harnesses the former (Ehrke 2000; Gledhill 2001; Moschonas 2002; Gray 2004; Hay 1999, 2004; Porter and Craig 2004).

This volume explores the problems and prospects for social democratic governance in contemporary Canada. Five of the six chapters provide case studies of social democratic governance at the provincial level in the 1990s and early years of the new century —in the form of the Parti Québécois in Québec and the NDP in Ontario, Manitoba, Saskatchewan and British Columbia. The sixth takes up the marginal status to which social democracy, in the form of the NDP, appears to have been permanently consigned at the federal level. All the chapters are unified by a sensitivity to the constraints that neoliberal globalization has imposed upon social democratic governance. The chapters have both an empirical dimension and a strategic thrust, as the authors address the searching question of how processes of social democratization might be sustained where the room for manoeuvre seems slim, and how the room to manoeuvre itself might be enlarged through new social visions and creative collective action.

This introduction offers a framework within which to place the specific analyses that follow. To begin with definitional issues, what is social democracy, and what are “neoliberal times”?

**Social Democracy**

Social democracy, as one of its leading intellectuals points out, has a double meaning. It denotes both “a political movement and its purported achievements” (Esping-Andersen 1992: 187). In both senses, social democracy arose as an indelibly historical phenomenon of twentieth-century capitalism.
As a political movement, social democracy has been organized around labour-based parties and a program of incremental reforms to extend the liberal-democratic idea of citizenship rights into the social realm (Marshall 1950). T.H. Marshall saw modern capitalism as a contradictory formation in which the class-polarizing tendencies of the market economy collided with the “integrative effects” of citizenship (Giddens 1994: 70), with the upshot that, once they have won “political citizenship” — the right to vote — workers press collectively for social entitlements. Within the ambit of social democracy, such entitlements have stopped short of wholesale nationalization of capitalist property and central planning of the economy — the sine qua non of classical socialism. The social democratic vision has been one of a “society-wide egalitarian community” (Gray 1996), within which bourgeois freedoms coexist with and are tempered by social solidarities. As Colin Hay (1999: 57) sees it, social democracy is a political project committed to redistribution (to reduce the built-in inequities of capitalism), democratic economic governance (to mitigate market failures, excesses and inefficiencies) and social protectionism (to meet the needs of all citizens in the areas of education, health and welfare).

Social democrats have sought to realize these commitments through the Keynesian welfare state (KWS) — an institutional complex involving redistributive tax and welfare policies, promotion of full employment through economic growth, universal social programs and a regime of industrial relations recognizing and facilitating unions as the principal advocates of workers’ interests (Gray 1996: 25). In its fully fledged version (as in the Sweden of the 1980s), the KWS reduced inequalities and empowered workers. If “social democracy means democratic egalitarianism” (Milner 1991: 57), then the inclusive, pro-active KWS counts as social democracy’s central accomplishment.

Basic to social democracy as a political movement has been the organization of the working class “in a majority-bent social democratic party closely linked to a powerful, centralized, disciplined trade-union movement” (Kesselman 1982: 402). Indeed, one of the most straightforward and persuasive accounts of social democracy — the so-called power resources model — draws causal connections between the strength of trade unionism, the flourishing of left-oriented political parties and the elaboration of the KWS. In a paradigmatic study using the power resources approach, Walter Korpi (1989) compared eighteen OECD (Organisation for Economic Co-operation and Development) countries between 1930 and 1980. He found that the extension of social citizenship rights in the field of medical insurance was related to both the level of union membership relative to the size of the labour force (union density) and the participation of social democratic parties in social policy development. For Korpi, unions and left parties comprise the key power resources available to working classes within democratic capitalism. The deeply
structured power of the capitalist class can be partially offset by the mobilization of these resources in a “democratic class struggle” (1989: 325). The claim at the centre of the power resources model is that “the more successful the social democratic forces of the organized working class, the more entrenched and institutionalized will the welfare state become and the more marginalized will be the principle of allocation through the market” (Pierson 2001: 49).

This model accounts for the extensive and robust welfare state of Sweden, where union density reached 66 percent in 1950 and 90 percent in the 1990s, and where the Social Democratic Labour Party has been the governing party nearly continuously since the 1930s. It equally explains the minimalist, residual character of the U.S. welfare state, where the working class has lacked both union representation (by the 1990s only 14 percent of workers were organized) and “an electorally viable socialist, social democratic, or labour party” (Olsen 2002: 127–29). Canada, whose union density was 39.5 percent in 1988 and 32.2 percent in 2002 (Jackson 2004: 135) and whose social democratic parties have significantly influenced but rarely controlled the development of the welfare state, holds a position between the extremes of Sweden and the United States, though closer to the latter than the former. According to Olsen, “welfare state development and the level of inequality in Canada, Sweden, and the United States correspond quite closely with the level of power resources achieved by the working class in each nation” (Olsen 2002: 134).

Although helpful as a point of entry to a discussion of social democracy, the power resources model has several inadequacies. It unrealistically portrays the state as a “potentially friendly arbitrator on behalf of the working class in relation to capital” and assumes that so long as social democrats maintain electoral power the state will serve labour’s interests (Mulvale 2001: 16). It misdiagnoses the balance of class power by overestimating labour’s resources, particularly in the current era of globalized capitalism, and ignoring capital’s resources. It assumes that socialism can be introduced on an installment plan (Olsen 2002: 136). Yet forming a government can hardly be equated with gaining state power; indeed, most of the chapters in this book are testimony to the enormous difficulties social democratic governments have faced in attempting to implement programs of quite modest reform. Further, although union density, electoral strength and the elaboration of social citizenship are important factors, they become less efficacious when set against capital’s increasing mobility and its political organization into neoliberal parties, activist business councils and policy-planning groups (Carroll 2004: Ch. 8). Finally, there is no evidence that gradual social reform has supplanted the tendencies of capitalism to generate massive inequality on both national and global scales (Teeple 2000: 41–49).

In fact, the decline of social reform in the past three decades suggests
that social democracy’s successes during the long wave of post-World War II accumulation were historically specific. Esping-Andersen has wondered if “our theory of social democracy might... be a theory of Scandinavia,” representing “but one among several ways of politically and institutionally regulating the fordist capitalist order” (1992: 202, 203). Half a century after Tony Crosland (1963 [1956]: 27) confidently declared that social democracy’s incremental reforms to capitalism “cannot be undone by any practical means whatsoever,” such optimism seems otherworldly.

Crosland identified three trends which are fundamental to sustaining his whole thesis: 1) the loss by the business class of its previous commanding position in the state; 2) a decisive movement of class power towards the working class at the expense of business; and 3) a fundamental change in the nature of the business class whereby power had shifted from capitalists, especially financial capitalists, to managers. Whatever their apparent possibility in the 1950s, to read Crosland on each of these claims today is to immediately be brought up short by their fundamental wrong-headedness. (Panitch 1995: 249)

Neoliberal Times

To appreciate where Crosland and other champions of post-war social democracy went wrong, we need to understand the transitions in capitalism that undercut the power resources upon which social democracy staked its claim while enabling the revival, in neoliberalism, of an eighteenth-century political paradigm. The era of social democratic reform, from World War II until the 1970s, constituted an “interregnum between the age of competing imperial powers and the coming of the global economy” (Teeple 2000: 53). In this period, capitalism developed in a “two-tiered” manner, reflecting both the class compromise over which social democracy often presided and the liberal norms of an international order within which the United States was hegemonic. At the national level, in most of the states comprising the core of the world system, labour became organized and aligned with social democratic parties, capital embraced the Fordist mode of mass production for mass consumption, and governments steered the economy via Keynesian macroeconomic levers and deployed social programs that partially decommodified labour power. At the international level, an open-door policy on trade and investment gradually lowered tariffs and supported the expansion of transnational corporations (TNCs) worldwide.

By the 1970s, the contradictions between democratically governed national states responsive at least partially to citizens’ needs and a global economy organized around profit-seeking TNCs and increasingly stateless financial capital were already apparent. The “national relations of produc-
tion” were increasingly seen by TNCs as “mere fetters to intercorporate relations at the global level” (Teeple 2000: 62). The “material bases for consent” within a capital-labour class compromise (Przeworski 1985) — namely, productivity increases sufficiently large to fund, *inter alia*, corporate profits, wage increases and redistributive social programs — were eclipsed by economic stagnation, inflation and a looming fiscal crisis of the state. As international competition intensified and productivity growth faltered, the post-war accord between capital and labour became unstuck. To sustain after-tax profits, governments began shifting the tax burden from capital to labour. For its part, labour sought compensation through higher wages and improved social programs. All this led, throughout the world, to “a crisis in social democratic Keynesian regimes” (Panitch and Leys 2001: 5).

From its first successful implementation in Chile in 1973, after a military coup deposed an elected socialist government, the neoliberal paradigm has fused the free market with the strong state. In his study of Thatcherism, Andrew Gamble noted four arguments to justify a strong neoliberal state: “The state must be strong firstly to unwind the coils of social democracy and welfarism which have fastened around the free economy; secondly to police the market order; thirdly to make the economy more productive; and fourthly to uphold social and political authority” (1988: 32). As neoliberal policies take effect, social divisions and inequities tend to proliferate, increasing the need for a well-armoured state. “The strong state that is needed so that this economy may remain free is a state able to conduct effective surveillance and policing of the unemployed and the poor, able to confront and defeat any union challenge, able to contain any upsurge of terrorism or public disorder” (Gamble 1988: 236). Henry Giroux (2004: 17) has drawn a chilling portrait of how neoliberalism in the contemporary U.S. context provides conditions for both producing and legitimating “the central tendencies of proto-fascism.” These conditions range across the corporatization of civil society, the mobilization of a fearful nationalism, the rise of an Orwellian Newspeak that impairs the capacity of the American public to think critically, the broad militarization of culture and, tellingly, the reduction of the state to its repressive functions — evident particularly in the incarceration of individuals considered disposable (primarily poor people of color) and the ongoing criminalization of social policies. Examples of the latter include anti-begging and anti-loitering ordinances that fine or punish the homeless for sitting or lying down too long in public places. An even more despicable instance of the barbaric nature of neoliberalism, with its emphasis on profits over people and its willingness to punish rather than serve the poor and disenfranchised, can be seen in the
growing tendency of many hospitals across the country to have patients arrested and jailed if they cannot pay their medical bills. (Giroux 2004: 51)

Neoliberalism, then, does not involve a hollowing-out or by-passing of the state so much as a shift in the state’s priorities and a reshaping of its modalities (Albo 2002: 51–52). “It is not just that governments can no longer ‘manage’ their national economies; to survive in office they must increasingly ‘manage’ national politics in such a way as to adapt them to the pressures of transnational market forces” (Leys 2001: 1). The defining terms of neoliberalism — the policies of fiscal retrenchment, of downsizing social services, of privatization, of “flexible labour markets,” of deregulation and free trade; the priority given to “sound money” and low inflation; the attacks on the collective power of unions — are all directed toward enhancing international competitiveness by imposing the discipline of the market. Yet, in magnifying the impact of global market forces on working people and communities, such policies also shift the balance of power toward capital, whose criterion of profitability is given priority over social democratic goals such as healthy communities and a decent standard of living for all citizens. 2

All this poses great challenges to any social democratic government and all the more so to such governments in Canada, where liberal individualism, reinforced in everyday life by decades of mass consumerism and a Hollywood-centred culture industry, has been a regnant political value. After three decades of neoliberal transformation and consolidation, including the internal restructuring of the state through processes of privatization, deregulation and marketization, Greg Albo’s diagnosis seems apt. “The ‘strong’ state that has been integral to the ‘free market’ of neoliberalism can neither be simply captured and put to new ends nor directly assaulted from outside, as opposing tendencies on the left have often assumed in attempting to break out of the neoliberal straitjacket” (2002: 52). The neoliberal state offers precious little room for social reform.

The Canadian Context

In Canada, the primary vehicle for social democracy has been the New Democratic Party (NDP), formed in 1961 on the model of the British Labour Party, as a reconstituted version of the Co-operative Commonwealth Federation (CCF), itself founded in 1933. As with its British counterpart (Crouch 1997: 253), the CCF/NDP moved over time from an explicit commitment to democratic socialism — evident in the social vision of its founding document, the Regina Manifesto — to a program of social democracy as conventionally understood. By 1956, in the wake of successive electoral failures at the federal level and in anticipation of a forthcom-
ing alignment with an ideologically diverse labour movement, the CCF’s Winnipeg Manifesto called for a “mixed economy.” In its last paragraph, the declaration trumpeted the values of “equality and freedom, a sense of human dignity, and an opportunity to live a rich and meaningful life as a citizen of a free and peaceful world.”

In both its rise and decline, social democracy in Canada was conditioned by the regionalized character of the country’s political economy, which created strong class-based grievances on the western periphery while dividing state powers between federal and provincial levels. The classic literature tells a story of the rise of a class-based democratic socialist movement, mainly on the margins of early-twentieth-century Canadian capitalism (Lipset 1950; Horowitz 1968). In Saskatchewan, an agrarian economy generated a social base mainly in small farmers and their cooperatives; in British Columbia, a militant industrial working-class based in forestry, fishing and mining embraced the same movement/party in the 1930s. In the year of its formation, the CCF claimed the support of a third of the electorate in those two western provinces. At the height of labour militancy during World War II, when recognition of trade unions as legitimate bodies was won federally, the CCF was briefly poised as an electoral contender federally. The Liberals and Conservatives responded by covering their left flank with “a rather hasty conversion” to reforms along the lines of the KWS (Panitch and Swartz 2003: 12). Otherwise, however, Canada’s social democratic party has been relegated in federal electoral politics to the status of also-ran: the “conscience” of the country, always a potential threat to the bourgeois parties should their policies veer too far to the right. It is at the provincial level, where powers over health, education and welfare are primarily lodged, that the CCF/NDP had a direct formative impact on Canada’s welfare state. Saskatchewan, British Columbia and Manitoba have been the perennial base provinces, and innovations — most notably, Medicare — made in Saskatchewan, where the party has governed for most of the years since 1944, have been implemented elsewhere by bourgeois parties. In the 1960s, Québec’s Quiet Revolution opened the political field there to perspectives that included modern nationalism and social democracy. By the late 1970s the Parti Québecois had recruited impressive popular support for its project of national independence combined with social democratic reform.

In broad, terms, the 1980s and 1990s marked a “paradigm shift” (McBride 2001). The regime of “permeable Fordism” (Jensen 1989) — an arrangement fueled in part by growing investment and trade relations with the United States and mediated by state programs of regional and cross-class income redistribution — gave way to a post-Fordist regime of “continental neoliberalism,” according to which Canada was to become integrated into a rationalized North American economic space (Carroll 1993). The single most important catalyst for this transition was the trade
agreements of 1989 and 1994, which placed downward pressure on the social standards of Canada’s welfare state. A decade and a half on, it is clear that Canadian policies in areas such as income taxation and unemployment insurance have been harmonized downward so that they now correspond roughly to the minimalist post-Reagan U.S. standards. Pressures to privatize health, education and other services are nowadays intense. If Canada’s welfare state has always looked more like that of the U.S. than that of Sweden the “resemblance has grown more striking during the past two decades of retrenchment and recasting” (Olsen 2002: 39). In this sense, the concerns that the trade agreements would be a mechanism for importing the Reagan revolution “through the backdoor” (Panitch 1987) were justified. But in addition to the indirect mechanism of harmonization, the agreements also explicitly mandated the hollowing-out of the Keynesian welfare state in each participating country. Among the effects of such continental rationalization have been a further weakening of national economic integration and an intensification of uneven development, as the relative fortunes of regions increasingly depend on how each is integrated into the continental and global markets rather than the national market (Brodie 1997: 257).

Yet if neoliberalism, particularly through the trade agreements, led to a further Balkanization of the Canadian state, it is also the case that Canada’s federal structure of divided sovereignty provided in the first place a basis for launching certain elements of the neoliberal project, well in advance of the trade agreements. It is not entirely surprising that these initiatives took place in provinces where social democracy had been a relatively strong political current, for its very strength provoked bourgeois social forces to organize into a trenchant opposition. In British Columbia, the Social Credit government pioneered a Thatcherite policy of people’s-capitalist privatization avant le lettre in 1979 (Persky 1983) and in 1983 introduced Canada’s first comprehensive program of neoliberal retrenchment (Carroll and Ratner 1989). Saskatchewan followed suit with its own Conservative-led restraint program (Biggs and Stobbe 1991), as did Alberta (under conditions of weaker ideological contestation [Laxer and Harrison 1995]), with the result that by the early 1990s neoliberalism had become a familiar policy framework in much of western Canada.

In the same period, and continuing through the 1990s, the primary form of deficit reduction at the federal level was that of “downloading” social-welfare costs to the provinces. The declining federal presence in funding social programs compelled some provinces with insufficient tax bases to reduce the size of their public sector by cutting back on social services, which in turn increased regional disparities in the provision of these services (Brodie 1997: 257). Indeed, the devolution of the Canadian state has figured importantly in the neoliberal project, as provincial premiers have successfully demanded greater jurisdictional powers and an
end to “federal unilateralism,” precisely in accordance with the Agenda for Action adopted in 1995 by the Business Council on National Issues (Finn 1998). In the context of inter-provincial competition for mobile capital investment, such a devolution of standards becomes an effective lever for bidding-down public services, particularly in a post-NAFTA continental zone in which Canadian provinces compete for investment not only among themselves but with sub-central units of the U.S., which offer the lowest tax burdens of all industrialized countries (Thomas 1997). As they assumed office in the early 1990s, the pressures of federal downloading and intensified competition for investment capital posed major problems for social democratic provincial governments in Ontario, Québec, Manitoba, Saskatchewan and British Columbia.

Operating in tandem with the dynamic of divided sovereignty as a dis-unifying force within the Canadian state was the strongly neoliberal turn taken by the country’s central bank in the late 1980s through the mid-1990s. As the real interest rate climbed well above rates in other G-7 countries, the gap favoured speculative money capital over productive capital, and Canada’s dollar soared spectacularly, along with the unemployment rate. High interest rates meant not only that Canadians experienced a particularly deep recession but that state deficits ballooned along with rising costs of debt-servicing and falling state revenues. The yawning deficit and growing state debt fueled an elite-driven politics of moral panic, within which the “good of the nation” became equated with the urgent need to avoid hitting a “debt wall.” Neoliberal think-tanks like the Fraser Institute, which had gained a prominent voice in news discourse in the 1980s, joined with right-wing and mainstream political parties in identifying “the deficit” as Public Enemy Number One (McQuaig 1995; Workman 1996; Carroll and Shaw 2001). The discourse of the deficit was instrumental in cementing the moral authority of neoliberalism in the 1990s. In like measure, social democratic alternatives were culturally marginalized.

Finally, in the field of labour relations, the shift from social democratic to neoliberal policy took the form of a move “from consent to coercion,” as norms of free collective bargaining were replaced with repressive measures discouraging the formation of unions, monitoring their practices, limiting their collective rights and (for public-sector workers) restricting or eliminating wage increases (Panitch and Swartz 2003). As the neoliberal labour regime was consolidated, both federally and provincially, in the 1980s and 1990s, it became particularly evident that the state-mediated class compromise at the heart of post-war social democratic reform was finished. Neoliberal times had truly arrived.