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INDIGNADOS IN PERSPECTIVE: Is Social Democracy irrelevant in a Post-Industrial Era in the West?

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One of the striking claims of the *indignados* in Spain, the *indignati* in Italy, the *aganaktismenoi* in Greece, and the Occupy movements worldwide has been that there is no difference between the political elite, that both conservative and social democratic parties pursue the same policies of fiscal discipline, austerity, and the free market, that the burden of the mistakes of the rich fall on the poor. Why, they ask should the burden of loans gone sour be borne in the form of higher taxes and cuts in government expenditure by the workers made redundant and the pensioners who did not benefit from the loans? And yet these are the austerity and deficit-reducing measures pursued by both conservative and social democratic parties everywhere in the West.

Social Democracy in retreat since the early 1980s

Beginning with the Fourth Labour Government in New Zealand which transformed what had been called the only 'command economy in the Western world' into one of the most unregulated economies in the world in 1984—'out-Thatchering Thatcher' as the *Economist* gushed in an editorial—social democratic parties have jettisoned the constituencies that nurtured them: labor, ethnic minorities, the elderly, urban political organizations. The roll-call of the social

democratic parties that followed the lead of the New Zealand Labour Party which transformed those far-flung islands that had pioneered the most socially progressive legislation a hundred years ago to become a laboratory in the 1980s for the neo-liberal experiment includes François Mitterrand in his second term in France and Bob Hawke in Australia. To win a second term in office, Bill Clinton plagiarized the Republican agenda and fundamentally restructured welfare in the United States and Tony Blair launched NewLabour's successful electoral campaign in 1997 by promising that "British law will remain the most restrictive on trade unions in the Western world." In the United States, Barack Obama catapulted on to the national stage during the 2004 Democratic convention by declaring "there is not a liberal America and a conservative America, there's the United States of America.... We are one people, all of us pledging allegiance to the stars and stripes, all of us defending the United States of America." The familiar alphabets of politics, in other words, he says

were irrelevant—we are all in this together. If only that were true!

More recently, as the global financial crisis spread, President Obama's administration channelled huge sums of money to banks and other financial institutions and to a very few industrial giants like General Motors and very little to the manufacturing sector in general—and this led to spiralling unemployment

De-industrialization in the West, and the concomitant decline of trade unions in manufacturing, has led social democratic parties to jettison their traditional constituencies and join conservatives in dismantling the welfare state.

The declining significance of manufacturing in the hierarchy of profit-making activities has led to the greater salience of finance and speculation.

This has vastly increased inequalities in income and wealth across the globe and the first gauge of elections in Europe has been the reaction of markets to the results.

The consensus among social democratic and conservative parties has meant that there has been little to choose among them, and the rise of new social movements like the *indignados* and the Occupy movements are an attempt to create a new alternative.

in the world's largest economy. This was to be expected of course as his chief financial advisers were the very ones who had de-regulated the financial sector during their stints in the Clinton Administration. As the Eurozone crisis engulfed Spain, José Luis Rodríguez Zapatero imposed spending cuts to bring down the deficit and sought to raise the retirement age in face of strong opposition from the union movement. These measures eventually cost the socialists the 2011 elections and the right-wing Popular Party that replaced them in government imposed even more severe cuts and a more stringent employment law. In Greece, when Giorgios Papandreou proposed a referendum on the conditions imposed by the European Union in return for emergency loans, the then French President Sarkozy and the German Chancellor Angela Merkel not only forced him to cancel it by threatening the expulsion of Greece from the euro but also compelled the leaders of all three major political parties in Greece to pledge that they will not rescind the severe austerity package imposed on the country were they to win the elections—making a mockery of the democratic process.

Deep-seated transformation of the political landscape and the forging of a broad consensus shared by conservative and social democratic parties reflect a fundamental reconfiguration of the economy in Western countries, and specifically the decline of trade unions

Dismantling the welfare state: decline of manufacturing and the rise of finance

How did all this come about? Why has there been a blurring of the ideological distinctions between the political parties of the right and left? Why have the social democratic parties turned on their own consistencies? Why do these parties now change their tune entirely and dismantle the signal achievements of previous social democratic governments? Will François Hollande, though he had campaigned against austerity, do likewise? Can this 'marshmallow man' (so-called because he avoids conflict) stand up to Merkel? His likely choice as Prime Minister, Jean-Marc Ayrault, has already suggested that rather than renegotiating the draft fiscal treaty crafted by Merkel and Sarkozy, he will merely seek to attach an addendum on growth. This is in sharp contrast to the coalition of green and left parties in Greece, *Syriza*, which supplanted the socialists to become the second largest party and is forthrightly determined to rescind the stringent terms imposed on Athens. Indeed, this jettisoning of their natural constituencies by social democratic parties has also resulted in extreme right-wing movements, from the ultra-nationalist National Front in France to the neo-nazi *Chysi Argi* (Golden Dawn) in Greece, gaining strength.

In the first instance, this deep-seated transformation of the political landscape and the forging of a broad consensus shared by conservative and social democratic parties reflect

a fundamental reconfiguration of the economy in Western countries, and specifically the decline of trade unions. Social democratic parties and trade unions were both responses to the industrial revolution in the latter part of the nineteenth-century. Social democratic parties were the political expression of the labor movement which is of course what makes Blair's bald assertion in 1997 so stunning. Winning the right to organize was not easy for workers and often came after violent struggles—and these were victories made possible in part by the colonial conquest of Africa and other parts of the non-Western world. Colonial tribute extracted from these places were doled out by the ruling classes in the few democracies in Europe at the time to the working classes.

In most cases, the strength of the unions and of social democratic parties in the West were laid in the 25-30 years after the end of the Second World War during what has been called the 'golden age of capitalism.' This was when industrial production expanded across the West, and indeed across the rest of the world to varying degrees. It brought ever larger numbers into the industrial workforce, and as strikes and work stoppages would adversely impact on industrial profits, employers

were willing to concede many worker demands. In return for undertaking not to strike for the duration of a contract, unions obtained steady wage increases, health care and retirement benefits. This was the heyday of the welfare state as social democratic parties pressured even conservatives to expand benefits to the poor.

All this came at a cost to the trade unions though—during these years, especially at the height of the Cold War, they shed their more radical demands and became much more reformist as did the social democratic parties. This moderation rendered them less capable of resisting the rightward turn that was to come.

Favourable conditions to labor began to change by the late 1960s and early 1970s as competitive pressures increased and corporations began to trespass on each other's market niches driving down profit rates substantially while demands by women and ethnic minorities for equal pay for equal work drove up costs. Now instead of continually increasing workers' benefits, corporations started to shift production overseas and to roll back the benefits that workers had won.

To set the ideological stage for this about face, business organizations and right-wing think-tanks like the Hoover Institution and the American Enterprise Institute initiated a major effort to influence the universities, news media, and the courts by commissioning a series of empirical and technical studies designed to promote business-friendly policies and anti-union legislation. US research universities and business schools where academics, bureaucrats, and journalists from all over the world were trained, have an influence far beyond its shores. As alumni of these institutions gained seniority within national and international bureaucracies, they began to implement what we now call 'neoliberal' policies.

The victories of Margaret Thatcher and Ronald Reagan furthered these interests. By breaking the air traffic controllers' strike in 1981 and the coal miners' strike in 1984, Reagan and Thatcher respectively dealt a massive blow to the union movement. Having defanged the unions, they began to radically deregulate their economies under the slogan "there is no alternative" (TINA). As manufacturing profits continued to plummet worldwide, corporations started to use their surplus funds to engage in financial speculation and manufacturing employment began to stagnate—and the new employees were hired at lower rates and with lower benefits.

The increased use of automation, numerically-controlled machines, and robots in production, and innovations in communications and transport that enabled corporations to split production processes into part-processes to take advantage of wage and cost differences led to a globalization of production. This fragmentation of manufacturing operations and their dispersal across national borders also rendered trade unions less effective as they were organizations directed at the national state and not suited to organizing workers on an international scale. It was, after all, the elimination of internal tolls and the creation of a national market that made trade unions possible in the first place!

Rather than large, vertically-integrated factories now greater resort was made to small workshops, to off-shoring and out-sourcing, and to a revival even of family-based sweatshops. Especially, in family-based workshops working for large multinational corporations, paternalistic relations undermined resistance strategies of work-based organizations. The corporations dictate piece-rates to small workshops and often arbitrarily shift the proverbial goal posts leading to greater intensification of work but how does one go on strike when the labor organizer is one's father or uncle?

The increasing relocation of industrial activities to low- and middle-income states in Asia, Latin America, and elsewhere fundamentally altered the social landscape in Western democracies. As the manufacturing sector shrank and more and more people were employed in services, the power of strikes to curtail profit margins waned. In a vertically-integrated automobile company for instance, if workers in a plant making gear boxes went on strike, the entire assembly line came to a grinding halt. There is no analogue for this in the service sector: waiters can shut down a restaurant in one city, or a few branches of a bank but it is not the same as shutting down the whole company.

One important consequence of this has been that the gap in income and wealth between the rich and the poor that had been declining in the West since the 1930s has started to widen again. Unlike industrial workers who had the power of numbers and the structural strength to demand better conditions, workers in the service industry do not have the

same advantages. The service sector is also a blanket term and covers massive disparities in income and wealth—from the hedge fund managers who get bonuses and salaries in the tens of millions of dollars to the workers in the fast food industry barely scrapping by on a minimum wage and often having to hold down two or three jobs to make ends meet.

At the same time, as advances in automation are made, wages account for an increasingly small portion of the total cost of a product. The Centre for Research on Socio-Cultural Change, for instance, estimates that Apple spends \$178.40 to assemble an iPhone 4 but labor costs only amount to \$7.10 while Apple's profit on each phone is about \$452.

Apple's profits are of course at the far end of the spectrum. In most cases, due to intense competitive pressures and the relocation of production to lower-wage sites, manufacturing profits are very low and capital flows increasingly towards financial speculation. Since the industrial revolution, our operating assumption has been that capital must be invested in manufacturing. Yet, as the French historian Fernand Braudel showed that the industrial revolution was an exceptional

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period, a "fantastic venture." Except during such 'fantastic ventures,' entrepreneurs prefer to keep their capital liquid instead of sinking it into brick-and-mortar structures so that they can nimbly move it around to take advantage of profit-making opportunities.

The period following the Second World War was another 'fantastic venture' as industrial production expanded massively, not only in the West, but also in the former "Second World" of the Soviet Union and Eastern Europe, and in at least the larger states of the Third World. But by the late 1960s, this expansionary phase had begun to run out of steam. As profit rates tumbled, inflation soared, and currency movements became more volatile, governments began to de-regulate economies and eliminate controls over capital flows.

The deregulation of economies and the elimination of capital controls means that financial flows have increased rapidly across the world especially as computer-based real-time trading has made possible new opportunities. With capital flowing in and out of countries at the touch of a computer button, the first question television and newspaper reporters ask after an election is on the reaction of the markets to the results! After the May 2012 French presidential and Greek parliamentary elections, front page stories reported the over-

night falls in the Japanese and Hong Kong stock market indices as a direct consequence of the results. Apparently, it is the reaction of financiers and hedge fund managers on the other side of the world that matter at least as much as the hopes of the citizens who exercised their franchise!

As their social base was being hollowed out, social democratic parties were also facing an intellectual broadside from the right. The unravelling and eventual collapse of the Soviet Union seemed to signal the end of the socialist experiment especially since China had even earlier adopted market-oriented reforms. As low- and mid-ranking bureaucrats returned armed with degrees from US universities, and as many of the younger members of social democratic parties themselves went to these universities many of them subscribed to the mantra of free market capitalism.

The result as we saw was that social democratic governments everywhere in the West have been steadily eroding the welfare state that an earlier generation had so painstakingly constructed. And the unions have been largely accommodating these changes and losing more of their benefits and their members.

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If these changes broadly affected Western democracies, they were modified everywhere by local clusters of power and privilege. In the United States, funding by business interests to both major political parties increased substantially and raised the cost of elections to such an extent that Republican and Democratic politicians spent an inordinate amount of time courting potential donors, especially after the United States Supreme Court ruled that limits on corporate contributions are an unconstitutional infringement on free speech. Though business contributions have gone disproportionately to Republicans, there is no counterweight to business among the constituents of the Democrats—the blacks, Hispanics, labor, the elderly, urban political organizations.

The Republicans also forged an alliance with the Christian right in defence of 'traditional' and 'family' values and hence created a mass base within the party marginalizing its more moderate members. The resistance it has engendered to the 'government' has meant that poor, working class members are aligning with the Tea Party movement and voting against their own economic interests—against welfare benefits, against increasing the taxes on the rich, against health insurance for the uninsured. Fortunately, the marginal significance of the religious right in Europe means that the continent has evaded this scourge.

The Rise of New Social Movements

It is in this context that the *indignados* who began to occupy Puerta del Sol in Madrid, Plaça Catalunya in Barcelona, and other central squares across Spain on the 15 of May 2011 launched a movement that spread across the Western world—in Syntagma Square in Athens, in Rome, and the Occupy movements that started in September 2011 in Zuccotti Park near Wall Street in New York and spread across the United States, as well as to London, Sydney, and several other locations.

In the first instance, by highlighting the wide gulf between the top 1 per cent who controlled enormous assets and the 99 per cent who were being continuously squeezed, these movements brought to the fore the divisions that political elites had sought to paper over. This was not the unified, undifferentiated America that Obama spoke of in his famous speech of 2004. This was a movement that emphasized the undemocratic nature of regimes even if they had multiple parties and held regular 'free and fair elections.' Since the parties shared a consensus, there was nothing to choose! By occupying central squares of

major cities, the movement forced the issue of social inequality onto the public agenda. It could no longer be ignored—Obama and others could no longer say "we are one people." By the very locations they occupied, they drew attention to the massive disparities in wealth and income in some of the richest countries in the world. They highlighted the immorality of cutting benefits to the 99 per cent while not increasing taxes on the 1 per cent. It was

a conversation that had effectively been banished from political debate for some two decades. The fundamental unfairness of the system was in question—much as workers a hundred and fifty years had questioned the fundamental unfairness of the early industrial system.

By bringing together a very diverse group of people—the unemployed, the elderly, ethnic minorities, those evicted from their homes—these movements were able to highlight grievances that trade unions could not. But this is not to suggest that the trade unions are irrelevant—they can still mobilize disciplined groups of workers, have the monetary and legal resources to aid the movement. Under the impact of these movements, the trade unions have indeed become more militant everywhere—not only in the West but even in China! Trade unions are also good at short-term strategies. And short-term strategies are what the dispossessed desperately need: access to housing, jobs, health and money as soon as possible.

Yet, the very diversity of the movement and its success comes at a price. It loses political coherence as a diversity of views, some of them contradictory, are echoed. How these movements, conditioned by the parallelogram of political forces in each location, navigates between an agenda that is too nar-

rowly focused as to lose widespread support and too broad to be coherent is a difficult issue and for one for which there is no easy prescription.

The strength and intensity of the movement—and the victories of Hollande in France, the defeat of the two parties that had dominated Greek politics since the end of the dictatorship, the collapse of the Dutch government of Mark Rutte as his coalition partner refused to accept further austerity measures—suggest that some minor accommodations will be made. In April, when Hollande's victory looked likely, Merkel had already signalled her support for some 'growth' and after all, as her record on nuclear power, euro bailouts, and military intervention in Afghanistan indicates, she will change course if that is the prudent option! This lack of ideological adherence to principle, and pragmatic subservience to finance, is what underpins the consensus among conservative and social democratic parties after all. Whether it will lead to a major social transformation—one that will once again guarantee that future generations will have a better quality of life than earlier ones—remains to be seen.

That is a massive task. Many of the politicians have become so vested in the system that it is difficult for them to switch horses mid-stream. And the right-wing will mount a counter assault. The Tea Party in the United States has already shifted the Republicans to the far right and since Obama did not have a credible rival in the Democratic primaries, political debate in the country has been dominated by the Republicans.

To recapitulate, one of the striking features of the post-Cold War political landscape in the West has been a consensus among conservative and social democratic parties in favour of rolling back government expenditures, curbing social spending, and eroding the welfare state. The financial crisis—and its peculiar form in the Eurozone—has given added momentum to this tendency. Social democratic parties have been unable to protect their traditional constituencies, in large part, because changes in the economy have undermined the structural strength of the industrial working class of which these parties were the political expression. In the contemporary post-industrial landscape, these parties are increasingly unable to protect the poor, the unemployed, the elderly, ethnic minorities and urban political organizations. They are ideologically and organizationally ill-equipped to challenge the dominance of finance—of the 1 per cent, or more accurately the 0.1 per cent of the population who control an astonishing share of global wealth. The rise of the *indignados* and the Occupy movements, then, is a response to the new political conditions, just as trade unions and social democratic parties were to the industrial revolution. Just as it took several decades for workers to win the right to organize trade unions, and for social democratic parties to achieve state power, the new movements face a long struggle to create a new social order.