

*The Primacy of Politics?*

*A Crooked Timber Seminar on  
Sheri Berman's New Book*

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## *Introduction*

As promised earlier, we've put together a seminar on Sheri Berman's new book, *The Primacy of Politics: Social Democracy and the Making of Europe's Twentieth Century*. This is a really interesting and enjoyable book, both as an intellectual and political history of the origins of social democracy, and as a set of arguments about social democracy's crucial role in in post-World War II Europe and in the future. This seminar is also available on the WWW at <http://crookedtimber.org/category/sheri-berman-seminar/>

In order of publication, the contributors are:

**Henry Farrell** provides a summary of the book's arguments. He suggests that the book is a major contribution to a new, neo-Polanyian school of political economy, but thinks that Berman gives too little credit to Keynes and Christian Democrats for their role in creating the post-WW II European order, and is a little worried at the future possibility of a version of European social democracy with a fascistic tinge.

**Tyler Cowen** is a Professor of Economics at George Mason University; he blogs at *Marginal Revolution*, and has a monthly column on economics for the *New York Times*. He claims that for all the brilliance of Berman's arguments, the future prospects for European social democracy are bleak, given demographics and economic facts.

**Mark Blyth** is Associate Professor of Political Science at Johns Hopkins University, editor of the *Review of International Political Economy*, and sometime blogger at the excellent *3 Quarks Daily*. He investigates the ways in which Berman contributes to a constructivist political economy, and ends up arguing that Fascism may have lost less because of its internal contradictions than because of an accident of history.

**Jim McNeill** does communications work for the Service Employees International Union and writes occasionally for magazines including *The American Prospect*, *Dissent* and the *Baffler*. He laments the lack of a strong basis for social democracy in the US, and asks, in the absence of a powerful union movement, what forces might help promote it.

**Matthew Yglesias** has an eponymous blog, and is a Staff Writer at The American Prospect. He's currently on leave, writing an as-yet-untitled book about the Democrats and US foreign policy. He argues that Berman underestimates the key contribution of liberalism to taming the market.

**John Quiggin** writes about how social democracy in English speaking countries didn't have the hang ups about Marxist orthodoxy that its continental variants experienced. He also notes that there is conceptual slippage in contemporary neo-liberal arguments between the experience of capitalism as it exists (i.e. with a fair dollop of social democracy mixed in) and the abstract neo-liberal model of capitalism.

*Social Democracy and Fascism as Cousins-German*

By Henry Farrell

Sheri Berman's book on the past and future of European social democracy makes (at least) two big contributions. First, it takes up Karl Polanyi's claims about the origins of socialism and fascism and makes something new of them. Berman is explicitly writing in a Polanyian tradition, but she isn't a disciple or an epigone of Polanyi. Like the social democrats who are the heroes of this book, she takes a classic set of arguments and interrogates and updates them, making claims about what works and what doesn't, what's relevant to our contemporary situation, and what isn't. Second, in so doing she decisively demonstrates the importance of ideas to politics. Her story is one where ideas have dramatic consequences for history. The failure of some socialists to escape from the straitjacket of economistic Marxist thought doomed them to failure and political irrelevancy. The willingness of others to challenge conventional nostrums, and to become actively involved in politics had an enormous historical impact, whether they went to the left (social democrats) or to the right (various strains of fascists and national socialists).

Berman (like Mark Blyth, who also contributes to this seminar) is one of a small group of neo-Polanyians, who are trying to build upon Polanyi's account of politics so as to provide a better account of how the society and economy in the post-World War II world. One of their key contributions is to wed Polanyi's arguments with a better account of human agency. Polanyi's *The Great Transformation* is a book in which individual agency seems to be subordinated to broader historical trends. Its focus is on how "society" reacts defensively to the depredations of the free market and its relentless commodification of social relationships. Thus, Polanyi's famous account of the 'double movement' in which the excesses of the market inspire a counter-reaction from society. Under this account, socialism and fascism are related; they are different ways in which society has sought to protect itself from the market. The one is a benign effort to restrain the excesses of the market, the other a malign tendency to protect society at the expense of human freedom.

Polanyi's argument, in its original form, is both intellectually fascinating and rhetorically powerful, but its causal account of how market excesses provoke a response from society is at best a little hazy, and at worst a theory that doesn't explain the real choices made by human agents (I think that this would be a misreading of Polanyi, but it wouldn't be a hopelessly off-the-wall misreading). Hence then, the emphasis of neo-Polanyians on clarifying the importance of agency through showing the causal power of ideas. This comes out a little more clearly in Berman's book than in others in this genre, if only because Berman directly tackles questions that Polanyi himself addressed – the rise of fascism and of socialism as liberal society collapsed in mainland Europe in the 1920s and 1930s. Here, Berman both deepens and revises Polanyi's account by emphasizing how ideas shaped how different individuals, and the political parties that those individuals worked through responded to capitalism's internal crisis.

In Berman's narrative, as in Polanyi's, there were two antidotes on offer to "economic collapse and social chaos" - social democracy and fascism. Social democracy and fascism were both the result, according to Berman, of long standing intellectual debates within the left over the relationship between economics and politics. Both were movements created by socialists who had grown weary of the passivity of traditional socialism as set out by Engels, and explicated by Kautsky. The reigning orthodoxy emphasized the primacy of economics – economic progress would ineluctably lead to the victory of socialists, who merely had to bide their time. Over time, it became clear that this passive approach was both badly wrong, and a rotten basis to boot for sustaining mass support over the medium term. However, it also proved remarkably resilient. Even if socialist orthodoxy was wrong, it was hard for socialists to get away from. Those who tried to – by advocating even temporary alliances with bourgeois parties - could expect to be vigorously denounced for their heresy. The result was a prolonged and tortuous debate, both within countries and in the International, about the extent to which socialists should participate in electoral politics. In short, those who advocated active politics had a difficult time doing it within mainstream socialism.

On the one hand, social democrats, who wanted socialists to get involved in electoral politics and take power through non-revolutionary means such as getting involved in coalition government, weren't able to bring other socialists along with them. Some tried to stick it out and to build compromises with more zealous colleagues, sometimes emphasizing to them the need to protect the real advances made by the liberal state by participating in democratic politics. The result was often an unhappy halfway house, as in the German SPD, which participated in elections in the Weimar Republic, but refused to fully embrace it. This cost German social democracy, and the rest of us, dearly over the longer term. Where social democrats were willing fully to embrace existing democratic forms and to extend their appeal beyond the working classes, as in Sweden, they created the basis for a long-standing, and largely successful political compromise. This compromise didn't seek to eliminate the market (although perhaps the Meidner plan came close), but instead to manage and subordinate it.

On the other, some socialists embraced a more radical notion of politics and of revolution that had little time for bourgeois democracy. Georges Sorel and other syndicalists began with demands that socialists foment massive general strikes, and ended by drifting away from socialism altogether, in favour of other 'myths' that might help inspire large scale political action, most prominently nationalism. This helped create the conditions for a synthesis between the nationalist movement and elements of the socialist movement in Italy and Germany. National Socialists retained many of the aspirations of social democrats, and made many of the same promises. Like social democrats, their main appeal was that they offered economic stability and security to the masses.

Hence the first part of Berman's argument – that fascism was, in a sense, social democracy's dark twin. They shared common ancestry in internal debates among socialists. There was crossover between the two, as erstwhile social democrats became fascists. Finally, there were substantial similarities in their economic policies, and in the ways that they tried to appeal to mass publics. Both represented revolts against a kind of

ideational orthodoxy, in which the economic base determined the limits of politics. Both, indeed, sought to use political means to tame the market and to bring it under control. The political forms that they took were very different. Social democrats accepted democratic principles, even as they hoped that they might subordinate the free market to collective needs. Fascists, very clearly, did not. Even so, they had more in common than either might have liked to admit. Both moved away from an emphasis on the historical role of the proletariat towards a kind of communitarian politics, in which the national home replaced the working class as the relevant community of solidarity. While Fascist and Nazi ideology obviously appealed directly to nationalism, so too did Swedish social democracy, with its emphasis on the *folkhemmet* or ‘people’s home.’

The second part of Berman’s historical argument is less completely sketched out, but perhaps more important to the political story that she wants to tell. Berman argues that after the defeat of fascism, social democracy won more or less completely in Western Europe. Many political scientists, following John Ruggie, have seen the post war period through the 1970s as the triumph of ‘embedded liberalism’ – a form of liberalism managed through agreed practices and institutions, including most prominently the Bretton Woods institutions at the international level. Berman disagrees. She argues that the key principles of social democracy, as they were hammered out during the pre-war era, were what anchored the post-WW II system. Social democracy was based around the ideas of controlling the market and communitarianism – market forces had to be reined in if communities were to survive and to thrive. The market became increasingly subject to political forces, thanks to nationalization. Welfare states were based upon, and sought to perpetuate, a sense of collective belonging. Keynesianism sought to manage the economy without lapsing into totalitarianism. All of this was a far cry from what Marxists or classical liberals wanted; instead, it “most closely corresponded to ... the mixture of economic policies championed by social democrats, fascists and national socialists together with the commitment to democracy that social democrats displayed but that fascists and national socialists decidedly did not.”

This suggests to Berman that social democracy was more than a set of policies, or a compromise between Marxism and liberalism; it was an ideology all on its own. While she doesn’t say it explicitly, her argument suggests that social democrats are really closet Polanyians, concerned to prevent society from being gutted by the market, and imposing the necessary constraints to prevent this from happening. This also makes Berman believe that social democracy is newly relevant today. As in the 1920’s, markets are regarded as all-powerful, and people don’t seem to like it very much. There’s a clear opportunity for social democrats to come to the fore again, by stressing the need to protect community, using markets for their clear economic benefits, while protecting citizens from their worst depredations. Markets should be expanded, but they also should be managed. What’s holding back social democrats isn’t that this is impossible, but that they’ve lost their will. Rather like the socialists of a previous generation, they are paralyzed by a set of ideas that they know to be failing, but lacking the self confidence to articulate new ones.

Enough summary. This book excels in showing how ideas really matter to party politics and to politics more generally. Many of the most important choices made, leading to radically different political outcomes in Italy, Germany, Austria, France and Sweden. Most obviously, those socialists who subscribed to Kautskyan orthodoxy in one of its variants found themselves trapped by their ideas, unable to engage seriously in politics, even when they knew that they had to. Rudolf Hilferding (whom I had never known was a confidant of the conservative chancellor Bruening, even while he was the SPD's main economic theoretician) lamented that the socialists had no proposals to end the economic crisis, even as he stymied efforts to introduce economic planning which was intended to address just this political need. But so too did ideas empower Swedish social democrats to introduce innovations in economic policy that helped cement their long term political dominance.

It furthermore illustrates the organic connections between social democratism and fascism in a clear, but objective way . Again, some details that were new to me – such as that Gramsci had been a devoted follower of Mussolini during the period when Mussolini was a radical socialist. Her account emphasizes the importance of socialist influences on fascism and national socialism at the expense of right wing ones – I'd have liked to have seen, for example, some discussion of how Catholic versions of corporatism intersected with syndicalism in Mussolini's ideology. But that's probably unavoidable, given her purpose in the book, and the need to make it readable, short and coherent.

Berman however does make two major claims that I want to disagree with. First, I'm not at all sure that the book does what it sets out to do – to show that social democracy, rather than liberalism was the basis for the post-WWII order. As a social democrat, I'd *like* to believe this, but I'm not sure that the evidence supports it. Berman shows, pretty decisively in my view, that social democracy played an underappreciated role in creating this order. But by the same token, she discounts the role of liberalism too much – the post WWII European order was a compromise between social democrats and liberals (and indeed, Christian Democrats too).

There's one sentence in particular that bugs me. On page 179, Berman argues that "If liberalism can be stretched to encompass an order that saw unchecked markets as dangerous, that had public interests trump private prerogatives, and that granted states the right to intervene in the economy to protect the common interest and nurture social solidarity, then the term is so elastic as to be nearly useless." Here, Berman seems to me not to treat arguments and differences within liberalism with the same seriousness as she treats arguments among the various tendencies within the broad socialist movement. There was a long standing tradition of liberalism, especially on the continent, that had a rather more ambiguous attitude toward the state and toward community than gung-ho Manchester liberalism. For example, James Sheehan in his intellectual history of German liberalism, depicts them as fatally split in their attitude to the state – on the one hand recognizing that the state was the guarantor of the social order that the middle class needed (not least because it helped keep the lower orders in their places), and on the other tempted by the sirens of the untrammelled market. Indeed, Sheehan quotes an evocative bit of cod-Arthurianism that perfectly captures this ambiguity – a nineteenth century

liberal's description of the state as "the spear that heals as well as wounds." Internal liberal debates weren't just Manchester economists shouting at each other; they involved a wide array of different positions on the role of state and market.

Or, to put it another way, Berman provides us with an analytic narrative about the emergence of social democracy as an escape from the rigidity of economic Marxism. Couldn't one tell an equally convincing narrative about arguments within liberalism between rigid, hidebound laissez-faire economists and other, more socially concerned liberals, leading up to Keynes's synthesis which had the political aim of saving the market from itself (and then leading into the evolution of Keynesianism and its eventual collapse)? Keynes is a pretty tough sticking point for Berman's account. As she acknowledges, his ideas were enormously important in shaping the post war consensus about how markets should be controlled. But while (as Berman discusses) Keynes' ideas had a substantial impact *upon* social democracy, Keynes can under no serious account be held to have been a social democrat himself. He saw himself as a liberal, his most important arguments were with other liberals, and his political aim was to shore up, as best he could, the existing liberal order by subordinating markets to politics where necessary to secure stability.

One could make similar claims for Christian Democracy. Again, Christian Democracy involved a set of ideas about the role of the state, the need to protect the fabric of society and so on, which fed into the post-WWII order. I think it would be exceedingly tough to show that Christian Democrats were the slaves of social democratic ideology without knowing it – while there was surely intellectual interchange between the traditions, they started from very different places. *Quadragesimo Anno* shares a lot of common ground with social democracy as Berman defines it, but it starts from a very different place indeed, and ends up too, at a destination that few people would want to define as social democracy.

All this suggests to me that Berman's criticisms of Ruggie are well founded – the post war order was something much more complicated than a moderated form of liberalism – but that her claim that it was instead social democracy all the way down goes too far. My strong intuition (and it's not much more than that; a lot of research would be needed to validate or invalidate it) is that this order was a sometimes uneasy synthesis between social democracy, and other political philosophies, all of which agreed, albeit for differing reasons, on the need to moderate and control market forces.

My second disagreement perhaps flows from the fact that I'm a social democrat who doesn't consider myself to be a communitarian. Berman suggests that one of the reasons why social democrats *should* be communitarians is that if they aren't, they're liable to be out-competed by nationalists benign or nasty, who will steal their clothes, just as they did between WWI and WWII. This is a plausible empirical claim, albeit one that if true I would find pretty uncongenial. But Berman's account can be read in another way too. If social democracy and fascism are cousins-german, then there's a very plausible risk that social democracy, if it goes too far in this direction, can lapse into a sort of fascism-lite. This strikes me as a particular political risk in Europe today. A political debate is



beginning to take shape in which the right is making significant political advances by attacking immigrants and Muslims in one way or another. This of course ties into wider debates about Europe's role in the world, the possible accession of Turkey to the EU etc. In many countries, I suspect that there's a big opening for a leftwing political party that combines robust economic populism with equally robust nativism and hostility towards immigrants. So far, to my knowledge, no party has really taken advantage of that opening. Berman's account leads me to suspect that this failure is an accident of history, and not to be taken for granted. The worry that social democrats will be outflanked by the nastier sort of nationalist is a real one. But there's also a real risk of social democrats going too far in embracing nationalist and exclusionary rhetoric with consequences that could be nearly as unpleasant. Hence, my preference at least for a social democracy that at the very least leavens its communitarianism with a broader, more international set of solidarities, and thus is less likely to be hijacked.

*Is Social Democracy a viable model for the European future?*

By Tyler Cowen

“Political history in the advanced industrial world has indeed ended, argues this pioneering study, but the winner has been social democracy...”

So runs the opening blurb on Sheri Berman’s *The Primary of Politics: Social Democracy and the Making of Europe’s Twentieth Century*. Most of the book is a well-researched account of the history and subtlety of social democratic thought, but I wish to consider the broader framing of the argument. In the last chapter the author returns to her apparent view that social democracy is fundamentally a solution to the problem of politics and it will remain relevant, indeed dominant, throughout the twenty-first century.

Much as I have enjoyed living in, working in, and visiting Western Europe, I have my doubts.

The Western European economies, which I take as the living embodiments of social democracy, face a dual crunch: low rates of economic growth and unfavorable demographics.

The importance of economic growth is obvious, but rarely are the long-range implications of lower growth taken seriously.

If a country grows at two percent per annum, rather than one percent, the difference in wealth or welfare in a single year is relatively small. Over time the difference becomes very large. For instance, had America grown one percentage point less per year, between 1870 and 1990, the America of 1990 would be no richer than the Mexico of 1990.

Growth laggards fall behind. If we compare a one percentage point differential in the growth rate, and start at real income parity, we need a time horizon of 110.4 years to establish a 3:1 ratio of superiority of per capita income. If we are comparing a two percentage point boost in the growth rate we need a time horizon of only 55.5 years to establish a 3:1 superiority in per capita national income.

Nobel Laureate economist Robert E. Lucas put it succinctly: “...the consequences for human welfare involved in questions like these are staggering: once one starts to think about [exponential growth], it is hard to think about anything else.”

For all its virtues, social democracy stands in danger unless Europe can boost its rates of economic growth. Even if some of the more radical social democrats may feel that “people already have enough,” it is hard to imagine Europe persisting and flourishing if it ends up as the “poor man out” and in a state of relative impoverishment. If nothing else, the most talented Europeans would migrate elsewhere. There are already 400,000 EU researchers working in the United States, and it is not clear when they plan on returning.

Most of Western Europe experienced a long postwar boom, lasting at least through the late 1970s (the timing is later for Spain). This was sustained by rebuilding, an enormous growth in world trade, and by lower levels of government intervention than we see today. But welfare payments rose, taxes rose, labor markets became less flexible, interventions favored insiders to a greater degree, regulations were cartelized, and the entrepreneurial spirit ebbed.

Western European per capita income is now about 30 percent below that of the United States and I see the gap widening rather than closing. It is common for the United States rate of productivity growth to be twice as high as that of the core European nations (NB: don't be fooled by statistics of high average labor productivity levels in some countries, such as France. In part they result from limits on the creation of low-wage jobs and they do not predict good future performance.) The relatively free Ireland continues to boom, but France, Germany, Italy and others have performed poorly. Even the Dutch economic miracle appears to have ended.

Germany may experience a current blip in growth rates, coming close to three percent over the next year. But this will not sidestep the broader and persistent problem of shrinking populations. Most European birthrates are under the 1.5 mark and it is quite possible that many national populations will be cut in half by 2050. Along the way there will be too many retirees per worker and current European tax rates – already among the highest in the world – will have to rise. Since older populations also tend to be less productive, it is hard to see how Western Europe might reassume world economic leadership or even hold its current relative ground. Nor has the EU, for all its benefits, proven itself a good mechanism for making economic policy; farm subsidies are over 45 percent of the EU budget.

Part of the demographic problem, of course, is that the real standard of living in Western Europe is remarkably high. Western European women have learned how much fun they can have, living in Europe and traveling abroad, when they are not tied down with four children. The extreme secularism of Western Europe – a philosophy which I share and indeed cherish – also promotes small families. Religious exhortations to have more children, combined with a child-friendly church culture, do in fact raise birth rates. In both economic and cultural terms, Western Europe is not investing enough in its future.

It seems that for Western Europe to regain its dynamism, it has to move to a freer market economy, higher rates of childbirth, higher immigration, and greater religiosity. It has to stop being the Europe which we (or at least I) love, and become more like the United States.

The defender of the European way can attempt four arguments:

1. The proper rate of social time discount is high. Yes, America will be much wealthier in the future but that simply doesn't matter much.
2. America's growth advantage is illusory. Cowboy capitalism is self-destructive, and in the long run the European economies are better bets.
3. Europe will return to traditional morality and high rates of child-bearing, but in the meantime we should keep this wonderful experiment going for as long as possible.
4. Islamic immigrants, plus Chinese and Indian tourists, will save the European way of life.

I hear #2 from many Europeans, and from some American leftists, but it is mostly fantasy. If American does self-destruct it will more likely be from foreign policy than anything else. A look at the comparative microeconomics of information technology, research and development, or American universities, confirms that America's growth edge is rooted in fundamentals.

I will not, in this forum, debate the ethics behind #1, which I have argued against elsewhere. Furthermore #1 is not an easy fit with the pro-education, pro-future, anti-global warming sentiments found on the Left.

#3 and #4 are plausible. We do not know for sure they are true, but they violate neither the available data nor a first-cut application of economic reasoning.

These hypotheses, however, are damaging to European pride and damaging to the idea of social democracy as a universal model. #3 implies that the current arrangements, however noble, are doomed. #4 implies that the model can be sustained only with the assistance of foreigners, and poorer foreigners at that. In that scenario Europe survives as an Asian and American theme park, with the manual labor done by Muslims. The French and German lifestyle will continue, but with smaller numbers and as a kind of museum piece.

**The bottom line:** European social democracy will go down in history as a glorious moment in the sun. But its deep structural problems, most of all for delivering ongoing economic growth, mean that 21st century Europe will have to take a very different course. For better or worse, history will continue. The one component missing from

Social Democratic Theory – and from this otherwise excellent book – is realistic economics.

*The Primacy of Politics: The Past, Present, and Contested Future of Social Democracy*

By Mark Blyth

Sheri Berman's *The Primacy of Politics* is one of the best books I have read in a long time. While much contemporary political science devolves into ever less relevant formalisms and 'econo-aping,' Berman's book reminds us of the power of narrative; in two senses. First, in the sense that says, 'nothing gets you going like a good narrative.' Second, in the sense that it demonstrates how social facts such as narrative, argument, rhetoric, and claim-making about the political world are essentially constitutive of it. In both of these senses it is an excellent piece of scholarship.

In taking such a position, and perhaps despite itself, it is a deeply constructivist work, albeit mercifully clear of the jargon that usually accompanies such efforts, my own included. I say constructivist in that *Primacy* shows first and foremost how 'external constraints,' 'material structures,' and 'economic conditions' *never* simply dictate the form and content of political action by unproblematically telegraphing into agents heads what a given crisis means, that therefore, what to do about it. Rather, environmental conditions, especially when volatile, must be interpreted by social actors before they can act on them, and this is the source of variation in their responses. Moreover, how actors not only perceive their environment, but how they creatively shape what that environment represents to them, and to other agents, becomes absolutely central to understanding political change. For me, *Primacy* demonstrates these dynamics particularly well in two areas; in the sheer folly of orthodox Marxist thinking during the Great Depression, and in the essential similarities of fascism and social democracy as reactions to Europe's modernization and industrial development. What it also does however is to suggest a particular narrative of social democratic development that may be empirically problematic and theoretically discomfiting.

Taking the 'Marxism as retardation' angle first, *Primacy* shows how rigid adherence to the axioms of class struggle and historical materialism as the 'twin engines' of historical change blinded European socialist parties, in particular the SPD, from reacting in any positive way to the Depression. Charged with being simultaneously the handmaiden and assassin for capitalism, these mass parties of political action became mass forces for political inaction. This paradigmatic prison, as much as any other factor, laid the groundwork for European fascist parties to become the mass parties of action (that is, they actually did something) per excellence. This is a compelling story, but what lies behind it is perhaps even more fascinating. That is, the way in which *Primacy* deeply disturbs materialist notions of political change and coalitional politics.

*Primacy* really does give primacy to politics. The common shock of the 1920s - continually falling prices and mass unemployment - telegraphed to governing elites via commonly held liberal ideas, what to do about the depression. The answer was of course, do nothing, and wait for fundamental economic forces to right themselves: *laissez faire* was 'the thing to do.' But after a decade of disruption the idea of the depression being

therapeutic, a kind of bulimic monetary purge after binge of consumption and ‘too-high’ wages, was going no-where. So clearly something had to be done...or did it?

One of the most interesting aspects of the period discussed in *Primacy* was how both orthodox Marxists and orthodox liberals were, as Karl Polanyi put it, at one with Ricardo and Marx in their understanding of the economy. Both theorists (and both movements) were classicists, materialists, and both admitted no doubt as the ubiquity of economic forces and the futility of political intervention. Both ‘did nothing’ for different reasons, due to different (but strangely similar) interpretations of the same social reality; and both were destroyed in the maelstrom that followed their passivity.

Those who were not so blinded were a diverse bunch of revisionists ranging from Bernstein on the left, Sorel on the right, and, with apologies to Stevie Wonder, ‘De Man in the middle.’ What united them were those real-world developments that Marxism could only explain away (such as the persistence of small-scale agriculture, the growth of ‘middle’ classes, etc.) and that required an explanation (such as the appeal of nationalism and notions of communal identity independent of supposed class position). Embracing, rather than denying such factors, Italian syndicalism grew into fascism, French reformism fell to nationalism, and German conservatism gave way to a murderous racist variant of the same. Only in Sweden did the democratic reformist project flower, and it is notable that Berman calls this chapter ‘The Swedish Exception’. This part of the story is well covered, but what *Primacy* adds is how similar these movements in fact were. It’s not just that they sprang from the same taproot, in many cases goals were shared long after the divorce.

Consider that social democratic and fascist parties thought of themselves as ‘people’s parties’ and were genuinely mass based phenomena. Where they differed lay in who was in and who was out of the ‘people’s home.’ Differentially interpreted and constructed, ‘the people’ were the base of revisionist politics of both the left and the right. Both movements stressed full employment as a policy goal in its own right. Both saw control as more important than ownership. Both saw the control of the levers of the macro-economy and a planning role for the state as beneficial. Both saw corporatist institutions as necessary for economic management.

Indeed, some very interesting paradoxes emerge in this way of thinking. For example, whereas the Nazis taxed capital heavier than workers for the sake of redistribution, the Swedish SAP taxed the workers more heavily than the capitalists. Similarly, while corporatist policy making is seen as quintessentially ‘social democratic’ the true innovators here were the fascist parties. Labor may not have had ‘free collective bargaining’ under such arrangements, but neither did employers have the whip hand. The fact that 95 percent of Germans benefited from Nazi policies shows not just its base of support, but fascism's essential similarity to the social democratic project of improving the lives of ‘the people’ as a whole.

Is there not then a danger of *Primacy* undermining itself? For after all, if two diametrically opposed movements were in fact remarkably similar, then doesn’t this point

to the fact that the materialists are right after all in that common shocks to similar states lead to similar outcomes? Perhaps then all this stuff about ideas and agency dissolves into a materialist narrative of the type that *Primacy* is set up to critique?

What saves *Primacy* from this claim are two things. First of all, to say that the failure of Marxist and Liberal ideologies opened the door to reformists who took the same materials and bricolaged them into reformist projects that were more similar than one commonly thinks *is not to say that the variation between them disappears*. One could see these movements as essentially similar, but to do so would be wrong. The role of race and nation in each movement is the most obvious example here. While the Myrdals may have thought eugenic policy a good idea to keep the Swedes rich, it's a far cry from that to the mass extermination of entire cultures that typified the German experience. Similarly, while the embrace of reflationary economics and the primacy of domestic demand over international liquidity marks both experiments, only one of them has autarky and empire as a 'built in' part of the project. So in this way, even in the similarities, ideas, representations, and narrative constructs matter.

What also saves *Primacy* for falling to a materialist critique is perhaps best described as a 'good error' – or – to put it another way, 'a contested reading of contemporary events'. Berman's project is not simply to catalogue the rise of social democracy and the failure of fascism, but to stress its contemporary relevance for the left in the face of globalization, immigration, the intellectual passivity of current social democratic parties, and the rise of new right forces. In doing so Berman raises many issues that one can agree with without buying the whole package. Personally, I find her discussion of social democracy as a 'communitarian' project to be unpersuasive since I'm not convinced that Bernstein and Etzioni are really bedfellows. Similarly, while multi-culturalism is problematic for modern left, it's not clear how an alternative policy can be other than exclusionary, especially in the context of mass immigration and rising feelings of nationalism. What concerns me here however is something subtle in text. The idea that social democracy won. A quote from the end of the book is telling in this regard.

“During the 1930s, social democrats came to see as never before how widespread and powerful was the longing for some sort of communal identity and social solidarity, and that if they did not come up with some convincing response to this longing, other more nefarious movements would.” (p. 210)

One could add – somewhat redundantly – 'and indeed they did' – without ever specifying which one of the two sets of reformers in fact won out.

Specifically, what doesn't come across in the analysis is that with the exception of the Swedish exception, these reformers failed, and failed just as spectacularly as their Marxist forebears. They failed in France, Germany, Spain, all of Eastern Europe, never stood a chance in Russia, had little resonance outside of the developed northern countries, and never really happened as a movement in the US or the UK. In contrast, fascism was an astonishing success. It was popular, stable, and if it had not been for one thing, the



racial Darwinism of fascist elites leading them to war with powers far stronger than they were, it might have survived.

Social democracy may have been a good idea, but it was also a post-war phenomenon brought about by the devastation fascism brought upon itself. If World War Two hadn't happened, if Strasser had bested Hitler, if the xenophobia had stayed in the bottle, would fascism have fallen? While counterfactuals are at best a parlor game, they are nonetheless helpful in clarifying possibilities. If the war had not happened, and if the alternative of the Soviet Union had not risen to post-war prominence, would the need to placate the working classes of Europe with welfarism and democracy been so pressing? Would the victory have come about at all, never mind later than advertised.

In short, if we read the history of social democracy as a highly contingent outcome, it raises an interesting angle on contemporary developments. If social democracy was a species of fascism (or vice versa), do we need a re-born fascism now to (re)energize the 'dead-men walking' parties of social democracy in the present? Disturbingly, perhaps we do, for as the analysis of *Primacy* suggests (in the above quoted section and throughout), without such right-wing claim-making and construction going on, there is nothing to nefarious to mobilize against. Modern social democracy's intellectual passivity is perhaps then not simply a function of losing sight of the good fight. It is instead perhaps the more scary prospect that without having someone worth fighting, social democracy remains, at best, a good idea?

*Politics and the Kenosha Kid*

By Jim McNeill

I come to Berman's book as an American labor bureaucrat—envious of the social democratic world she reveals to us, embarrassed by our failure to sustain anything like it on these shores. I read of the just wage established under Sweden's Rehn-Meidner centralized bargaining system and weep.

Fortunately, Berman's analysis leaves little room for despair. She reminds us that even Sweden hasn't existed forever in some prelapsarian state, that in fact it was one of Europe's most backward countries before its social democrats decided they didn't have to wait helplessly for dialectical forces to work their magic.

In one slim book, Berman shows that both Marxists and Manchester liberals were wrong—that we do have the ability to imagine a better world and make it.

If I have a critique of *The Primacy of Politics*, it is only the lack of explicit instruction for an American audience. Berman makes two brief references to the failings of the “U.S. Democratic Party” and that's it. Given the book's European focus, I suppose it's unfair to expect any commentary on the American scene, but since we're writing here in the ill-mannered blogosphere, I feel free to press Berman on the point.

In America, a nation that hates politics—and seems to hate them more with each election—how do we convince its people that politics is their salvation?

At one time, I had an easy answer to that question. (Please bear with me as it involves an anecdote from early in my life as a labor bureaucrat, just after I'd begun working in Racine, Wisconsin, for one of America's last union weeklies.) On a cold night, late in 1993, I traveled down the road to Kenosha to cover the 60th anniversary celebration of a UAW local that had organized the once-massive and still substantial auto plant there. Paul Russo, one of the local's shockingly vigorous founders, was on hand and I got the chance to interview him.

Russo, who was barely out of his teens at the time of the strike that launched the local, said he and the union's callow leaders had turned for advice to the “very strong, very socialist” head of Racine's labor council. Russo, who would go on to become a regional leader in the UAW, said the old socialist had “really taught us what politics was all about.” He learned that union work was much more than a contest between labor and management. “I like to call it this whole question of politics,” Russo said. “Where there's a difference of opinion, there's politics.... I love the word.”

I'd never heard such a rousing defense of politics, and from that night on it was blindingly obvious to me that unions were once, and would once again become, the great incubator of American democracy. And so for years I waited—a little like Kautsky and

the SPD's true believers, I suppose—for the American labor movement to fulfill its world-historical mission and wash away the stain of Reagan-era conservatism.

At this late date, I can't say I'm certain that labor will fulfill its mission. I don't know that I've lost the faith, but I fear that American unions are so beaten down—that the legal and ideological obstacles they face are so severe—that they are less likely to be the vanguard of a progressive revival than the (I hope) beneficiary of it.

I wonder now if the Paul Russos of the 21st century will come from within labor or whether they'll come from some other corner of American life. And I'm very curious to know what Berman thinks.

Who does she believe can restore a positive definition of politics in this simultaneously cynical and naive society? Does she think our Hjalmar Branting has already been born? Is there an American Jean Jaurès out there right now translating the language of European social democracy into the local vernacular?

Since the American vernacular is increasingly Spanish as well as English, I hope Berman will expand on her critique of identity politics. Certainly, crude multiculturalism is something the American left needs to transcend. But I'm not sure that the communitarian politics she outlines in her conclusion are strong enough to unite an America still riven by race and ethnicity. Just as Eduard Bernstein decried the “mushy internationalism” of the SPD, I wonder if Berman's communitarian nationalism is too vague to build a progressive majority in America.

But this sniping takes nothing away from the achievement of *The Primacy of Politics*. And given Berman's brilliant reading of the European past, I eagerly await her insights on the American future.

## *Can Social Democracy Explain Its Own Success?*

By Matthew Yglesias

With *The Primacy of Politics* Sheri Berman has given us a magnificent intellectual history of the debates within the left in the first half of the twentieth century that led to the rise of ideologies -- social democracy and fascism -- that rejected the economic determinism of Marx and Engels in favor of political activism aimed at curtailing, rather than eliminating, free markets. What she hasn't given us, I'm afraid, is an especially convincing causal story that the unfolding of these debates really was the key to the establishment of the distinctive post-war social, political, and economic settlement in Europe.

Most broadly speaking, it seems fairly clear that post-war developments in Europe were, fairly literally, responses to the fact of the war and the war's apparent origins in the economic crises of the interwar period. This observation, while hardly vindicated the totality of Marx's historicism, *does* underscore the reality that the economic interpretation of historical development has some real merits to it. Similarly, socialist gradualism actually seems to have triumphed rather suddenly. The reformers whose story Berman tells had, for reasons she outlines, very little influence on pre-war policies. With the war over, however, the policy environment shifted extremely rapidly; advancing far enough in a short enough time, in fact, that all of Europe still bears distinctive signs of the social democratic movement even though the tide, as Berman argues, has been in reverse for some time now.

How could things change so quickly? And why would they change so rapidly specifically during the postwar period?

It seems to me that to make sense of this, one has to see the postwar era as less a triumph of social democracy per se than a coming together of diverse brands of political thought. In particular, Berman seems to badly neglect the existence of divisions within the liberal camp that proved crucial as well. Oddly, the existence of such divisions is repeatedly *implied* by portions of Berman's narrative, wherein she emphasizes that one perpetual source of controversy within the socialist camp was the legitimacy of various forms of collaboration with "bourgeois" political parties. But which parties would a socialist be tempted to collaborate with? Well, with the more left-wing of the liberals, it would seem, and, indeed, most of the examples Berman discusses bear that prediction out. But then who were these progressive liberals? Why did they disagree with their classical brethren? And what distinguished them from socialist reformers? Why were *they* interested in collaborating with the right-wing of the socialist movement?

To complain that Berman wrote a book about right-wing socialists when she should have written one about left-wing liberals would be churlish. Rather than do that, let me simply suggest that the *timing* of the post-war settlement (after the war, obviously) suggests that movement within the liberal camp may have been more causally decisive than arguments inside the socialist movement. In particular, little that happened during the fifteen years

before the end of the war should have tended to make the left *more* confident about the possibilities of free markets or democracy. And, indeed, the postwar era was a growth period for the very far-left movement of Communism in France, Italy, and other European locations.

What the Depression, the war, and the dawning of the Cold War *did* bolster was the argument the left-hand side of the argument within liberalism. Unmitigated capitalism seemed to risk not only a large dose of human suffering, but the total collapse of the liberal political order and, potentially, the triumph of Soviet Communism. Under the circumstances, a *rapprochement* with moderate elements within socialism starts to look rather more appealing than it would have previously. In turn, a growing sense among capitalists that capitalism needed to be compromised in order to be saved is precisely the sort of thing that could lay the groundwork for rapid movement toward social reform. And, indeed, it seems notable in this regard that countries that had never had a strong Marxist presence -- England, the United States, Canada -- also moved in this period toward the construction of much more elaborate welfare and regulatory states than had existed previously. In the American case, at least, this was done almost entirely by liberals shifting to the left without any real input from a vibrant socialist movement. It's no coincidence, of course, that the United States moved less far in this direction than did the nations of the continent -- a strong social democratic movement *does* make a difference -- but also noteworthy that the United States did distinctly move *in that direction* even without the presence of social democracy on the ground.

This way of looking at things also casts some doubt on the view that a revival of social democracy requires merely a higher level of confidence, creativity, and elan on the part of social democrats. Part of the story, surely, is that in the wake of the Cold War proponents of the more classical strands of liberals have regained much of *their* confidence. It no longer looks necessary to give the moderate left an inch to prevent the Soviets from taking a mile. More banally, social democracy simply suffers from being redefined as the left pole of the political spectrum rather than as a "third way" in a dynamic where Communism or orthodox Marxism anchors the left. While politics surely matters, in other words, it seems odd to genuinely regard it -- rather than, say, objective circumstances -- as genuinely *primary* in determining outcomes. Pre-war social democracy is an *interesting* intellectual movement with a story worth telling, but its moment in the sun came not because its arguments became suddenly more persuasive, but because the situation changed to one that was much more favorable to its success. With the passage of time, the situation has changed again and social democracy's position is substantially weakened in a way that's unlikely to be reversed absent another dramatic change of circumstances.

## *Social Democracy in the English-Speaking World*

By John Quiggin

I'll leave it to others more expert on the history of European Marxism to discuss the main arguments in Sheri Berman's book. I'll focus on a couple of peripheral points. First there is her observation that the system triumphant at the end of the 20th century is not capitalism but social democracy. This is obviously true in the European countries she studies, but it is clearly true more generally. Even in the US, the state plays a role in the provision of health, education and social security broadly similar to that of European welfare states, and government expenditure accounts for more than 30 per cent of GDP.

Advocates of genuine *laissez faire* recognize this - hence Ayn Rand's lament that capitalism is The Unknown Ideal. Alternatively, one can refer to welfare capitalism, the mixed economy and so on.

But the triumphalist literature of the 1990s, epitomized by Fukuyama and (several levels lower down) Thomas Friedman presented the evidence with a curious twist. These writers began with the observation that, with the collapse of communism, there was no serious alternative to the Western economic model, which they typically called capitalism. Then they tried to argue that this success implied that Western countries should change their economic model, in the direction of more free markets and so on.

The obvious fallacy is that 'capitalism' is being used to refer to welfare capitalism in the first part of the argument and to *laissez-faire* in the second. Despite its weakness, this argument proved exceptionally convincing in the late 1990s, until the collapse of the dotcom boom dented its appeal, and the emergence of big government Republicanism rendered it politically irrelevant, at least in the US.

My other point concerns Berman's argument that Marxist dogmatism prevented most European socialist parties from providing any policy response to the Depression, the big exception being the Swedish Social Democrats. A look at the experience of the English-speaking countries suggests some grounds for skepticism.

In most of the English-speaking countries, the left (labour parties in Australia, New Zealand and the UK, the Democrats in the US, Liberals in Canada) held office for some period during the Depression. None of these parties were significantly affected by Marxism. Some were theoretically socialist and others were not, but all focused primarily on piecemeal reformism.

Despite the absence of Marxist ideological commitments, the parties that were in office at the outbreak of the Depression floundered, and were unable to produce a coherent alternative to the demand for orthodox sound money policies. The British and Australian parties split, with senior leaders defecting to the conservatives to form 'national unity' governments in both cases. Both parties remained in opposition throughout the 1930s. The Canadian Liberal government also lost office.

By contrast, the left governments that were elected during the Depression (the US Democrats in 1932, NZ Labour for the first time in 1935 and the Liberals also regaining office in 1935) fared much better. Given the depth of the Depression, almost any kind of Keynesian stimulus was bound to work well, and conservative resistance to welfare-state measures was ineffectual. The leaders of these governments, Roosevelt, Savage and McKenzie King remain revered figures. The same path was followed, with a delay in Australia (where the Labor party was in office from 1941 to 1949 and in Britain from 1945 to 1951).

A possible alternative analysis, then, is that the Depression created conditions under which a social-democratic response could be put forward, but that this was not a real political possibility until the bankruptcy of orthodox finance had become fully evident.

## *Response*

By Sheri Berman

Thanks so much for all the interesting and insightful comments, which have given me a lot to think about. Serious exchanges like this are truly an author's dream. Although I would love to discuss each and every point, in the interests of sparing less-obsessed readers let me focus on some broad themes.

*Was the postwar order social democratic or liberal?*

Henry Farrell and Matt Yglesias question whether the postwar order should really be considered social democratic. This is an important issue, because what is at stake is who should get credit for the postwar era's unprecedented combination of growth, democracy, and social stability—and perhaps also, relatedly, who should be listened to today. They both think I downplay the “liberal” contributions to this order, and Henry in particular is annoyed by my charge that any definition of liberalism flexible enough to encompass the postwar order's features “is so elastic as to be nearly useless.”

It is true that historically there were some liberals who were not entirely comfortable with the full laissez-faire agenda, and some who supported and contributed to the policies we have come to know as the postwar settlement. Nevertheless, I stand by my basic claim. At the heart of classical liberalism, both ideologically and as a matter of historical practice, was an emphasis on the rights and interests of individuals and a deep skepticism of the state and putatively “common” interests. The concept of a politico-economic order built around the legitimacy and frequency of state intervention to protect society's interests from market operations should send any decent classical liberal into a tizzy.

The fact that there were some liberals back then who did not react with horror to the idea, and that there are many today who consider it unproblematic, does not mean that liberalism occupies a bigger tent than I suggest. It just means that some people who call themselves liberal are really better thought of as social democrats, whether they are prepared to acknowledge that or not.

The parallel I would draw here is to the people I describe as “democratic revisionists” at the turn of the twentieth century. It took many of these socialists a long time to acknowledge that, once they had rejected the doctrines of historical materialism and class struggle, they were no longer truly Marxists. At precisely the same time and for precisely the same reasons that social democrats began separating from Marxists, there were indeed some revisionist and progressive liberals who began distancing themselves from their classical brethren, since the latter had little to say about the immense problems being generated by capitalism and risked political dangers by ignoring them. But what these progressive or revisionist liberals were doing, in truth, was not making incremental improvements within the liberal tradition, but rather abandoning it—or at least watering down its principles into a generic progressive ideological sludge.



Although ideologies are indeed capacious and amorphous things, there must be some lines that cannot be crossed. If there aren't, and one can believe almost anything and still call oneself a "liberal" or a "Marxist" or a "social democrat," then those terms are meaningless.

This is the prism through which I view the postwar order. My point is not that it should be called social democratic because it was the sole and direct creation of social democrats—for it was not. Social democrats were not in power in many parts of Europe during the immediate postwar period, and even where they were, the policies they supported were often enacted with the help of others.<sup>1</sup> My point is that it should be called social democratic because only social democracy, of all the major coherent approaches to political economy on offer, called for those particular policies based on those particular principles.

Long before the late 1940s, social democrats—along with fascists and National Socialists—stood for a "third way" between liberalism and communism, calling for an order where markets were neither destroyed (as communists wanted) nor given as free a reign as possible (as classical liberals had long advocated). They wanted to create a world where markets would exist but be tamed, one in which society's collective needs would take precedence over individuals' and markets' needs. Back then, anyone supporting such an order and calling him/herself a liberal would have been suffering from false consciousness; now, they would be suffering from historical amnesia or retrospective spin to associate the losers with the victors' policies.

*Is social democracy equivalent to the programs of today's European social democratic parties—and if those are unsustainable, does the movement have a future?*

Tyler Cowen views "the Western European economies...as the living embodiments of social democracy." Since he believes these economies are falling inexorably behind their American counterpart, he sees social democracy's future as grim. Let me unpack these points and deal with them in reverse order.

First, there is in fact little evidence that social democratic economies cannot compete in the 21st century. Some West European economies are struggling, but others are doing quite well—and that divide is simply not correlated with taxation rates or social welfare spending. The paradigmatic social democratic polities today, in fact—Sweden and the other Nordic countries—have done just fine in recent years, consistently outscoring, for example, the United States in global competitiveness rankings.

Second, as chapter 8 of the book tries to explain, some of the major European social democratic parties did indeed lose their way in the last third of the 20th century, because

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<sup>1</sup> Although one should note that it was precisely where social democrats were in power the longest that the political economy moved furthest in a social democratic direction. On this point see Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism*, and Evelyne Huber and John Stephens, *Development and Crisis of the Welfare State*.

they grew too attached to specific policies and ignored the need to innovate in applying the movement's core principles to changing conditions. The answer to that problem, however—where it exists—is not to jettison the principles, but to come up with fresh policies that address age-old problems such as commodification, anomie, and personal and communal disruption in ways better suited to contemporary economic realities.

Third, the whole point of social democracy (and the Polanyi-esque worldview it reflects) is that economic development should not be viewed in isolation as the sole criterion of sociopolitical value. Social democrats believe that decisions about economic policy must be judged not exclusively on growth rates (although they too prefer high ones, *ceteris paribus*), but also on the basis of how growth affects other goals—such as social solidarity, social stability, environmental protection, and the maintenance of a well-functioning democracy. Various indices have been developed to measure countries' "success rates" based on more than economic criteria alone, of which the U.N. human development index is perhaps the most well known. It incorporates not merely GDP, but also literacy, life expectancy, and so forth. Not surprisingly, using such criteria Europe—and particularly the Nordic countries—do better than the United States.

Individual academic economists prioritize other goods over higher income all the time—or else they would be finance professionals rather than professors. Social democrats think that societies can and should make such choices too.

*Does social democracy require communitarianism?*

A few of the commenters raised questions about my notion that social democracy has an inherently communitarian nature—and here again I will stand my ground. You may not like it, it may smack of nationalism or exclusivism, but the fact is that if you want an order based on social solidarity and the priority of social goods over individual interests, some basic sense of fellow feeling is required to get that order into place and keep it politically sustainable. So long as nation-states remain the basic form of political organization in the world, moreover, such fellow feeling will have to be fostered within national borders. Social democrats who can't accept and deal with this will just end up ceding ground politically to the radical right and various populists, who will step in to supply the communitarian cravings that publics continue to display.

This obviously is risky territory to tread on, since the dark side of communitarianism can be very dark indeed. But I am not endorsing "fascism-lite" (as Henry and Mark seem to fear), or giving a green light for nativism or prejudice. What I am saying is that Tonnies was on to something when he counterposed "community" to "society."

How to generate strong and emotionally satisfying communities in an increasingly postmodern world is going to be one of the major challenges of this century. One practical implication today is that the multiculturalism in vogue throughout much of the contemporary left ("everyone has their own values and norms and all are equally valid") is therefore at least as much of a threat to social democracy as is globalization. Social democrats need to deal forthrightly with the social and cultural divisions that are

currently roiling Europe, for example, and insist that all members of society adhere to certain common principles, rules, and responsibilities, even as they push for better integration of immigrants into the societies around them.

*What about the United States?*

Finally, perhaps the most difficult question comes from Jim McNeill: What does my analysis have to offer discussions of American politics? I am a bit unsure on this, frankly. The United States is so different from Europe—in ways problematic for social democracy as I understand it—that left communitarian coalitions are inevitably more difficult to construct here and critiques of capitalism have much less resonance. Yet I also believe that with the right political leaders and enough will anything is possible. The basic social democratic insight—that markets are good for generating growth but need to be checked and channeled when they threaten broader societal goals—lay behind the New Deal as much as it did the postwar settlement more generally, and is just as relevant to the increasingly globalized world we live in today as it ever has been. What remains missing is a way to frame this in such a way that it resonates with America's particular values and history and generate policies that are well suited to the particular American political and social context.