THE THIRD WAY AND POLITICAL ECONOMY TRADITIONS IN WESTERN EUROPE

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Introduction

For some time, in the late 1990s it seemed that a new set of progressive political ideas, identified with the “Third Way” label, were about to impose themselves internationally as a novel paradigm in progressive political discourse. There were a few meetings of social-democratic political leaders, the publication of a substantial number of pamphlets, booklets, and a clear interest from the press in what was happening. The momentum was certainly there: 11 out of 15 EU countries were ruled by left or centre-left governments, the US had a Democrat as president, and in the UK Tony Blair and a few intellectuals gravitating around him were claiming to have come up with a new set of political ideas, presented as the adaptation of social democratic thinking to the current socio-economic context.

Today, only a few years later it seems clear that the Third Way project has failed to gain influence internationally as some of its proponents had hoped. Continental European social democratic parties, in particular, have abandoned the idea of importing Third Wayist ideas into their polities. At the 2000 annual French Socialist party congress, Lionel Jospin was blunt in this respect: “The “Third Way”, so fashionable three years ago, is now clearly understood for what it is: a national initiative of the British Labour party, which may be suitable to the UK context, so influenced by liberalism, but not exportable” (Jospin, in Le Monde 28/11/2000). The German social democrats, who had shown considerable enthusiasm for the Third Way, or its German version, the Neue Mitte, have become rather lukewarm about it in more recent months. The initial appeal that Third Way ideas seemed to have across the continent, seem to have vanished.

And yet one would expect social democrats to embrace Third Way ideas. Since the late 1970s, social democratic parties in most western democracies have had serious problems in finding a political orientation that would properly manage the economy and at the same time allow them to remain in power. This is what Kitschelt has termed the “political economy dilemma”, or the fact that in the 1970s and the 1980s, those social democratic parties that under international economic pressures were most successful in containing inflation, also suffered the biggest electoral losses (Kitschelt 1994: 109-111; 1999). In other words, unable to resort to the traditional Keynesian solutions to economic problems, Social democrats were forced to embrace at least some elements of monetarist economic policy, resulting in electoral disaffection from their core constituencies. In this respect, Third Waysim must have looked attractive to social democrats, in so far as it promised a way out of the political economy dilemma.

The Third Way can be seen as a set of progressive ideas suitable for a post-industrial society. Third Way’s ideas are conceived to appeal beyond the core support basis of traditional social democracy of industrial workers. They seem clearly constructed across the new, emerging post-industrial cleavages. The fact that women as mothers and workers are a prime target of Third Way policies is instructive in this respect. Working mothers are having a particularly hard time in labour markets and welfare states still based on postwar assumptions regarding the respective roles of men and women. Low paid workers, mostly in the service sector, are another target of Third Way policies. This are groups that make reference to essentially post-industrial cleavages (Esping-Andersen 1999b). By shifting the political dimension in which social democracy needs to position itself from the wage-earners / employers cleavage to this new set of post-industrial cleavages, the Third Way avoids the confrontation with the political economy
dilemma. As a matter of fact, a shift in dominant political cleavages is being observed empirically in countries other than Britain. Esping-Andersen notes that in Scandinavia the cleavage between males working mainly in the private sector and women, concentrated in the public sector “… is becoming a genuinely conflictual cleavage around which opposing collective interests find articulation” (1999b: 308).

Third Ways ideas promise to make the progressive discourse a vote winner again, by abandoning the traditional labour versus capital cleavage and by positioning itself on several post-industrial cleavages, which is found to be more rewarding in electoral terms. But if that is so, why does the Third Way not impose itself as a guiding discourse for European social democrats? Why are French, German and Italian left wing leaders not espousing a set of political ideas which promises to make them “natural” vote winners in the emerging post-industrial social world? This paper will try to answer this question, and argue that a key obstacle to the transfer of Third Way ideas from the UK to other European countries is the very different political economy traditions that these countries have. The meaning of Third Way values and policies changes radically depending on the context in which that are to be adopted. My argument is that Third Way’s ideas do not conform to established sets of values and policies that frame debates over the reorganisation of welfare and work in some continental countries, most notably Germany and France.

The analysis focuses primarily on what I call political economy traditions, that can be defined as aggregates of institutions, practices and discourse which embody given values and norms on what are the appropriate roles of the state and of other economic actors in regulating an economic system, including the delivery of economic security. These political economy traditions are the result of multiple ideological influences and power struggles, they are changeable but also seem to be very resistant to change. They include a strong ‘moral economy’ component, which relates to values and norms held by individuals concerning what is appropriate practice in a given area of economic life.1

The paper starts by reviewing the some of political science literature on the role of economic ideas, paying attention to the factors that have been identified as the determinants of success or failure of given ideas in given national contexts. It then moves on to present and discuss possible explanations of the divergence in post-industrial social democratic discourses. Third, the paper focuses on the variation in the political economy traditions found in western Europe and relates them to Third Way values. The final section provides an analysis of the Blair-Schroeder paper published in June 1999, which is seen here as a case of the same set of ideas being put forward in two different national contexts.

THE DIFFUSION OF POLITICO- ECONOMIC IDEAS

Politico-economic ideas take different shape in different national contexts. This view is strongly supported by analyses of the diffusion of a very influential set of politico-economic ideas that took place in the Western world after World War II. In the early

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1 The concept of “political economy traditions” resembles that of “varieties of capitalism” (Crouch and Streeck 1997; Soskice 1999). It differs from it in two respects: it focuses more on state-market relationship, and less on the firms’ behaviour, and it emphasises the value dimension of institutions and policies (see also Bonoli 2000b).
postwar years, the Keynesian economic doctrine proved extremely influential in virtually all industrial countries, but its transformation into national discourse and policies followed radically different paths. Already a contemporary observer, Andrew Shonefield, was aware of such differences. As early as in 1965 he noted that even though capitalism had radically transformed itself in comparison to the pre-war years, the transformation had followed different paths in different countries, and that the choice of one path could be attributed to historical legacies in the relationship between the state and the economy. He was particularly impressed with the differences between French and British versions of economic interventionism. In France, the strong tradition of direct state involvement in economic matters, which can be traced back to well before the revolution of 1789, saw the emergence of an economic model in which the state set a wide range of objectives for economic policy, which included social policy goals, and intervened more or less directly also in the practical realisation of such objectives. In Britain, by contrast, economic intervention remained an ex post compensatory policy, which essentially left the market free to operate according to its own logic and stepped in to correct failures only (Shonefield 1965).

With the benefit of hindsight, Peter Hall reached similar, but more precise, conclusions in his analysis of the diffusion of the Keynesian paradigm in the postwar years. He identifies a set of factors that played a crucial role in determining the influence of Keynesian ideas: 1) the political orientation of the governing party; 2) the structure of state-society relationships; and, 3) the structure of political discourse, which he defines as “… the context of a prevailing set of political ideas. These include shared conceptions about the nature of society and the economy, various ideas about the appropriate role of government, a number of common political ideals, and collective memories of past experiences” (Hall 1989: 383).

Of the three factors Hall identifies, number two and especially three seem more relevant to our purposes, particularly because the countries we analyse in this paper (UK, France and Germany) are ruled by leftwing governments, and in this respect the variable “political orientation of governing party(-ies) is controlled for. Nevertheless one should keep in mind that contingent political variables, which certainly include the orientation of the governing party, but also factors pertaining to the electoral cycle, to patterns of coalition formation in the political arena can at times play an important role in determining party choices of political orientation.

What seems particularly promising for the analysis of the diffusions of Third Way ideas, is the role of ideational variables. These variables, were also found relevant to explaining the shape that the “neo-liberal turn” took in many western countries. Jobert and Theret (1994) show how difficult a neo-liberal project could be sold in France, precisely because it offended so many shared values on society, on the economy and on the appropriate role of the state in relation to them. In fact, French policy makers, forced by international economic pressures to adopt elements of neo-liberal economic policy, showed a market tendency to disguise this as Republicanism, or a commitment to preserve the stability and the strength of the Republic. Hall in his subsequent work on the monetarist turn in the UK, notes that neo-liberal ideas found a relatively fertile ground in that country, because the alternative, greater intervention in the economy via incomes policy seemed impracticable in the UK, as it “ate away at one of the Keynesian’s paradigm’s greatest sources of appeal, its ability to promise effective
economic management without intervening directly in the affairs of individual economic actors” (Hall 1993: 285).

A focus on ideational factors should not, however, go together with neglect for more formal institutional variables. It is difficult to account for the monetarist turn in the UK without ascribing some explanatory power to the structure of UK’s political institutions. In particular, a first-past-the-post electoral systems provides an incentive for political parties to adopt discourses and policies that are able to appeal to a relative majority of the electorate, usually around 40%. Neo-liberal ideas provided a focal point for a sufficiently large number of voters, as Thatcher herself clearly understood: “It is important to have a philosophy and a policy that because they are good, they appeal to sufficient people to secure a majority” (Thatcher, quoted in Riddel 1989; for a more developed version of this argument, see Bonoli 2000a: 52-7)

The role of societal values, or widely held normative perceptions, in current economic and social policy adjustment has been theorised by Vivien Schmidt. First, she argues that it is difficult to explain the success of reform or welfare retrenchment initiatives in the UK, Italy and Denmark with reference to interest-motivated electoral behaviour. If, as Pierson (1994) argues, policies that negatively affect electoral majorities are bound to be sanctioned by electoral punishment, how does one explain the re-election of retrenchment-guilty political parties in these countries? Second, she claims that such initiative must be seen as part of a more comprehensive political discourse that does not simply accompany them, but can play the more fundamental role of enabling them. It can do so by appealing to societal values that are widely shared and that may convince reluctant voter to support policies that go against their narrow self interest (V. Schmidt 2000a). More in general, V. Schmidt sees the political discourse that frames policy initiatives as an essential factor in determining their fate. It must be carefully crafted so as to “speak” to those social norms and values that are considered paramount in a given society: ‘…ideas need not only be sound intellectually; to be adopted they must also resonate culturally’ (V. Schmidt 2000b: 4).

To sum up, V. Schmidt’s sees societal values as repertoires of widely held normative perceptions to which policy-makers can appeal in order to justify policy initiatives that they need to take, either because of international pressures or because they need to comply with the demands of influential interest groups. But these repertoires are limited and vary across countries, and this can help to explain why a set of political ideas and policy recipes such as the Third Way has found fertile ground in some countries and has been rejected in other ones.

EXPLAINING DIVERGENCE IN POST-INDUSTRIAL SOCIAL DEMOCRACY

Even though the academic debate on the Third Way is pretty young, it has already delivered a substantial amount of views and analyses. The issue of divergence in the orientation taken by the renewal strategies of Social democratic parties has been addressed in a number of studies, which tend to focus on two countries: Britain and Germany. This sampling is understandable, because it contains the only other country a part from the UK, in which a serious attempt at introducing the Third Way ideas into the national political discourse.
The Anglo-German comparison has generated two main lines of reasoning for explaining divergence between the two countries. The first one focuses on political institutions; the second on the difference in actual socio-economic problems.

The British Westminster model of democracy is seen again as an amplifying factor for the emergence of a novel set political ideas. The high level of power concentration with the leader of the governing party allows substantial room for manoeuvre for developing policies that coherently refer to a common set of principles. In Germany, the federal structure of the state reduces the scope that a single actor has to influence policy (Busch and Manow, in press; Leisering and Hilpert 2000). In the areas of social and economic policy, in particular, responsibilities are shared between the federal government and the Länder, who have for example substantial powers in education, social assistance and many social services. What is more, the structure of the federal government is also affected by federalism. Parliament is bi-cameral, and in many areas of policy the upper chamber (Bundesrat) has a veto power over government policy. Members of the Bundesrat are elected on a different basis than those of the lower chamber (Bundestag) which often results in the two chambers being dominated by different majorities (M. Schmidt 1995). The result is a political system which requires constant negotiation between the government and the Länder, the opposition parties and the upper chamber of parliament. The internal structure of the German and the British political parties is also different, with again Tony Blair enjoying much more freedom of movement than Gerhard Schroeder. The German social democratic party has a federal structure, and maintains important links to the unions, which have resisted the move towards the Third Way. In contrast, in Britain union influence on Labour party policies has been dramatically reduced by Tony Blair’s predecessors. This context, is less favourable to the development and the imposition of a novel set of guiding principles for economic and social policies.

Electoral systems may also help to account for the different fortunes of Third Way ideas in Britain and Germany. The British first-past-the-post electoral system effectively protects the Labour party from the risk of losing support to the left while shifting rightwards its policies. In other countries, which like Germany have leftist socialist parties with parliamentary representation (in Germany that would be the PDS), shifts to the right of the social democrats generally result in increases in popular support for leftist socialist parties. As a matter of fact, the comparative analysis of party manifestos shows that while generally during the 1990s European social democratic parties have shifted their position to the right, none of them has done so to the same extent as the British Labour party (Volkens 2000).

The second set of explanations makes reference to the different sets of social and economic problems that face the two countries (Busch and Manow, in press). In Britain the key problems Labour found as it came to power were to a significant extent the result almost two decades of labour market deregulation and retrenchment in the welfare state: social exclusion, a poorly performing education system, low pay, and so forth. By contrast, the German situation in the late 1990s was almost the mirror image of that picture: high collectively negotiated minimum wages and a costly, if effective, welfare state that burdens labour to the extent of impairing job creation in low-value-added service sector. At the same time, Germany still has one of the most envied education and training systems in the world. In this respect, Giaimo and White expect the German version of postindustrial social democracy to be radically different from the British
template, and to address the rigidities that afflict the German model in a concerted manner (Giaimo and White, in press).

These explanations are plausible, and in some cases can be generalised beyond the Anglo-German comparison, to encompass other countries like France or Italy, where electoral systems allow the existence of leftist socialist parties, and whose political economies are affected by problems similar to those faced by Germany. They certainly help to account for the different fortunes of Third Way ideas in the UK and in continental Europe. There may, however, be other factors at play. As seen above, the impact of previous ideational turns in social and economic policy (keynesianism, neoliberalism) on individual countries had been strongly influenced by established national traditions in these policy areas. As a result we can expect these historical antecedents to have an impact on the reception that Third Way ideas receive in different countries. Besides, the institutional and problem-based explanations presented above account for why governments in some countries may be less inclined to espouse this set of ideas, but don’t really tell us why a discourse that proves a vote winner in Britain turns out to be rather unpopular in other parts of Europe.

A WORKING DEFINITION OF THE THIRD WAY

Those who have studied the writings of Third Way intellectuals and the policies of Third Way politicians have generally had troubles identifying a coherent political project behind that label. Yet, in order to assess the degree of compatibility between these ideas and national political economy traditions, we need at least a working definition of what the Third Way is.

According to White, the Third Way can be seen as a value framework that revolves around the three concepts values of opportunity, responsibility and community, but does not amount to “anything like a complete political philosophy” (White, in press). Reviewing evidence in several areas of government policy, Powell concludes that the Third Way “… is not a coherent concept that can be applied more or less uniformly to different policy sectors. Instead it appears to be all things to all people: a poorly specified, pick and mix strategy, largely defined by what it is not (1999: 298). He nevertheless identifies a number of themes that seem to be present in one or more areas of policy, such as a shift in emphasis from equality of outcome to equality of opportunities, a redefinition of citizenship which combines rights with responsibilities, the view that the state should not oppose or contain the market but work with it in order to further the public good, and a strong attachment to civil society, and particularly the Third sector, as an important contributor to the overall welfare of society (Powell 1999a: 13-23).]

It is difficult to find an overarching guiding principle or theme that unifies the Third Way positions mentioned above. Giddens proposition, that the prime motto for the new politics may be “no rights without responsibilities” (1998: 65), does only partial justice to the wide range of policies in which the Third Way has something to say, even within the area of regulating welfare and work. With regard to the state economy relationship, Giddens has argued that while old style social democracy focused on industrial and Keynesian macro-economic policies, the Third Way should concentrate on a different
set of priorities “... education, incentives, entrepreneurial culture, flexibility, devolution and the cultivation of social capital (2000: 73).

Leaving open the question of properly defining the true nature of current progressive political thinking, in this paper the notion of Third Way is understood as a normative and prescriptive worldview which revolves around the values mentioned above, and imply a state-market relationship which is characterised by complementarity and mutual support. The most crucial role of the state in relation to the economy is not so much to protect people from the market, rather, it is to help them succeed in the market (Myles and Quadagno 2000). It is with this working definition that we assess the “exportability” of Third Way ideas in continental Europe.

POLITICAL ECONOMY TRADITIONS IN WESTERN EUROPE

In order to fully understand the obstacles that the diffusion of Third Way ideas faces in continental Europe, we need to look back at the social and political economy models that developed during the postwar years in the different European countries. This exercise reveals a profound cleavage between on the one hand the UK and the rest of western Europe on the other, with regard to the shape of the state-market relationship, and to the instruments that have been used to provide economic security to wage earners during the “trente glorieuses”. In continental Europe, social protection has been traditionally more employment-based than in the UK.

In Britain, the postwar settlement revolved around the view that the market was to be left to operate with minimal direct state intervention, and that it was the task of the welfare state to correct the primary distribution of resources according to politically-determined socially desirable objectives. As seen above, even during the heydays of British Keynesianism, or, to use Third Way speak “old-style social democracy”, the state refrained from directly controlling the outcomes of the labour market. Income policies of the kind seen in other European countries, though attempted, were never properly established, and the level of employment protection granted by labour law remained comparatively weak throughout the postwar years. The British model of “welfare capitalism” relied for the most part on ex-post or compensatory social protection, in the sense that state intervened only after the market had distributed resources according to its own logic. In this respect, Britain, has been an exception in Western Europe insofar as it relied almost purely on ex-post compensatory intervention to guarantee economic security to wage earners (Bonoli 2000c; Rhodes 2000; Whiteside 1996; Whiteside and Salais 1998).

By contrast, in most continental European countries the postwar settlement rested on a considerably more interventionist view. Particularly in France and in Germany, the role of the state was not seen so much as one of compensating for the failures of a relatively free (labour) market, but much more as one of imposing constraints on the market so that it delivered politically acceptable social outcomes. To a large extent, the protection of wage earners took place within the market. The regulation of employment was used to further social policy objectives, such as most notably the guarantee of a family wage and the security of employment through job protection legislation (Esping-Andersen 1999a 21-23; Bonoli 2000c; Whiteside and Salais 1998).
The mostly continental European route to guarantee economic security to wage earners relied on a number of policy instruments, many of which are still in use today. Among these instruments the most important are employment protection laws and the regulation of wages. An international comparison that focuses on these instruments reveals a clear clustering of western European countries, which is reminiscent of, but not exactly overlapping with, Esping-Andersen’s classification of western welfare states according to three regime-types. Britain is clearly the country were these forms of protection are least developed; the Nordic countries are characterised by a strong role of negotiated wage regulation, through tripartite centralised wage bargaining. Latin European countries, instead, have traditionally known a comparatively high level of direct state intervention in the regulation of wages, and a stronger reliance on employment protection laws. Finally Germany, has traditionally combined near-Scandinavian forms of negotiated wage regulation with near-Latin European levels of employment protection.

Employment protection legislation has developed furthest in continental Europe. Of course, virtually all industrial countries provide some legal protection against redundancy, generally in order to avoid arbitrary dismissals. However, in most continental European countries EPL clearly went beyond this, by attributing to the worker a number of rights in relation to his/her job. As Shonfield noted: “the contrast between France and Britain, is clear in the area of employment law, and protection against dismissal. In France it is more difficult to lay off workers,… and employers have to justify their actions. … the workers is seen … as having certain rights as the owner of a job” (1965: 122). In practical terms, these rights can be protected with the requirement of an administrative authorisation for dismissals; by imposing a penalty on employers who lay off workers; by requiring the payment of a lump sum to the worker (severance pay) or by setting up a social plan (training, assistance on finding a new job, etc.) for laid off employees. These measures tend to be strongest in Continental and particularly in Latin Europe (table 1, column 1).

A second area of economic regulation that has traditionally distinguished the UK from the rest of Europe is the control of wages, which can take a number of different forms. First, governments can legislate a minimum wage, providing an earnings floor below which employment relationships are illegal. Legal minimum wages exist in a number of countries including the US and since 1999 the UK. However, in assessing the social and economic significance of a minimum wage, one should consider also its level. In this respect, American and British minimum wages are considerably lower than those found in other European countries, like France (see table 1, column 2).

The regulation of wages, not only of minimum wages, can also take place through collective bargaining: an additional institution that distinguishes the UK from the rest of

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2 For example in France there are disincentives to lay off older employees. If an employee aged 56 is dismissed, the employer must pay a contribution to social security (known as the Delalande contribution) equal to 6 months salary. In 1997 this contribution generated revenues of FF 1.7 billion (Euro 260 million) (OECD 1999: fn. 56).

3 In addition, it should also be noted that the British national minimum wage was introduced as part of a policy package which included tax credits, an instrument that if not combined with a legal minimum wage may encourage employers to reduce salaries at extremely low levels. In this respect in may fulfil a different function from its, say, French counterpart: not so much a social measure but an element of an incentive-strengthening policy package.
Europe (table 1, column 3). In fact, there are a number of different variants of collective bargaining. The most developed versions were found in the Scandinavian countries, particularly in Sweden, where centralised wage bargaining meant that all wage earners would receive the same salary increase, negotiated by national peak associations of employers and employees and the government (see e.g. Katzenstein 1985 or Swenson 1989). In most other countries collective bargaining occurs at the sectoral level, however, in some cases, a good degree of co-ordination among sector-based employer and employee association means that wage increases tend to be comparable across sectors. In Germany, for example, the first round of negotiations by the largest union (IG-Metall) sets the tone for all other sectoral agreements. Salary increases tend to be comparable across sectors, regardless of real productivity increases. In Latin Europe the regulation of wages has traditionally relied considerably more on direct state intervention: in France, for instance, the government makes often use of extension laws: in 1994, 80 % of all collective agreements were declared legally binding (OECD 1997: fn.31). This is why, in spite of very low rates of employee and employer organisation, France displays a comparatively high level of coverage for collective agreements (Ebbinghaus 1998: 15).

Table 1: Employment-based forms of social protection (early 1990s)

<table>
<thead>
<tr>
<th></th>
<th>Protection against dismissal</th>
<th>Minimum Wage</th>
<th>Collective bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>1</td>
<td>37.4 (1999)</td>
<td>47</td>
</tr>
<tr>
<td>Sweden</td>
<td>-</td>
<td>No</td>
<td>83</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
<td>No</td>
<td>90 (West)</td>
</tr>
<tr>
<td>France</td>
<td>5.5</td>
<td>55.3</td>
<td>82</td>
</tr>
<tr>
<td>Italy</td>
<td>9</td>
<td>No</td>
<td>70</td>
</tr>
</tbody>
</table>


Continental European political economy traditions have not only emphasised the regulation of employment with social objectives, but they also developed social protection systems that are more directly related to employment than is the case in Britain. In the insurance-based welfare states found in countries like France, Germany or Italy, access to benefits is dependent upon previous participation in the labour market and the payment of a contribution. In Britain, instead, access to benefits is largely based on need, as the already weak contributory elements introduced by Beveridge have been losing significance. For instance, in the late 1990s, the vast majority of unemployed people receive means-tested benefits. (Erskine 1997). In this respect, continental European social insurance schemes contain a strong “reciprocity” element: coverage is granted to individuals who have previously contributed to the system. Table 2 provides data on the proportion of social expenditure that is financed through social contributions. It is an indicator of the extent to which a welfare state follows a contributory logic. As will be argued below, like employment-based social protection, contributory social insurance is at odds with some key values and ideas that features prominently in the Third Way’s discourse.
Table 2: Proportion of social expenditure financed through social contributions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>46</td>
</tr>
<tr>
<td>Sweden</td>
<td>45</td>
</tr>
<tr>
<td>Germany</td>
<td>70</td>
</tr>
<tr>
<td>France</td>
<td>81</td>
</tr>
<tr>
<td>Italy</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: Eurostat 1995

These different traditions in the provision of economic security have not influenced only social protection and labour market institutions, but also people’s values. Survey data reveal that while levels of support for standard social programmes (health care, pensions) are similar across Europe, when questioned in opinion polls on other employment-based forms of social protection, respondents from different European countries display a bigger variety of opinions (Bonoli 2000b). Generally speaking, support for these employment-based forms of social protection is considerably stronger in Continental European countries than it is in the UK or Sweden. There is, however, a clear division between Latin European countries (France and Italy) where support for direct state intervention in wage regulation is stronger, and Germany, where there is strong support for “social wages”, but not for government intervention in that area. The apparent incompatibility between these two positions is easily explained by the fact that the key instrument of wage regulation in Germany is not state intervention but collective bargaining (tables 3 and 4).

Table 3: Agreement with the statement: ‘The government should control wages by law’

<table>
<thead>
<tr>
<th>% who agree</th>
<th>France</th>
<th>Italy</th>
<th>West-Germany</th>
<th>United Kingdom</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>1251</td>
<td>1103</td>
<td>2337</td>
<td>953</td>
<td>1187</td>
</tr>
</tbody>
</table>

Source: ISSP1996

Table 4: Question: What do you think should be important in deciding pay? … support a child…

<table>
<thead>
<tr>
<th>% who agree</th>
<th>Great Britain</th>
<th>West Germany</th>
<th>Italy</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>% essential or very important</td>
<td>44</td>
<td>71</td>
<td>75</td>
<td>6</td>
</tr>
</tbody>
</table>

source: ISSP 1992

Unfortunately it has not been possible to find comparative data on public opinion on EPL. However, a recent referendum in Italy suggests that at least in that country, EPL remains hugely popular. In May 2000 a proposal to weaken workers’ protection against
dismissal was rejected by 67 percent of voters. It should be noted that this figure underestimates the extent of the opposition against the weakening of employment protection legislation. According to the Italian constitution, the result of a referendum is valid only if a quorum of 50 percent of those who have the right to vote is reached. The consequence is that the camp of those who oppose a measure is split between no voters and those who abstain. The turnout on that occasion was 32 percent, and it is safe to assume that many of those who did not vote did so because they opposed the proposal.

A combined focus on standard social programmes and on these alternative measures that have been used to provide economic security to wage earners reveals profound differences in the state-market relationship between Britain and the rest of western Europe, both on the level of institutions and of people’s normative perceptions. The British post-war settlement was based on the combination of a relatively free labour market with a welfare state providing subsistence-level wage replacement benefits and some essential services (health, education, housing). In contrast, continental welfare states relied considerably more on the regulation of employment as a means to provide welfare to wage earners, with the instruments seen above, and on employment-related social insurance to provide income replacement at times of inactivity.

POLITICAL ECONOMY TRADITIONS AND THIRD WAY VALUES
These different political economy and welfare state traditions embody a set of values and promote a set of perceptions of appropriateness in relation to the role that the state or other authorities (the social partners) should play in guaranteeing economic security to citizens. Some of these values are not easily reconcilable with the prevailing Third Way discourse. Third Way writings stress values like “equality of opportunity”, “rights based on responsibility”, and also “reward for entrepreneurship and risk taking”. These concepts are at odds with the mostly continental European institutions reviewed above.

First, employment protection legislation guarantees employment for workers who have a permanent contract. In this respect, it confers a status-based right to job holders, and seems difficult to reconcile with the Third Way’s rhetoric of “no rights without responsibilities”. De facto, EPL constitutes a “right to employment”, but it is not a generalised right, nor is it a right that must be earned in any way. It is a right granted as a result of being in employment. What is more, it feeds the insider/outsider cleavage by penalising those social groups that the Third Way purports to help most: women and young unemployed people (Esping-Andersen 2000). Yet, EPL is a popular institution in most continental European countries. A Third Way discourse would inevitably clash with EPL and the values it embodies.

Second, collective bargaining is an institution clearly aimed at achieving equality of outcomes. The earnings distribution is considerably more egalitarian in countries that know a system of encompassing collective agreements, like Scandinavian countries and Germany, than in countries where for a majority of workers, wages are negotiated at the firm level or individually as in the UK or in the US (Wallerstein 1999; Swenson 1989). Negotiations are based on productivity increases, but also on notions of fairness, which typically results in low wage workers receiving comparatively higher wage increases. Collective bargaining, and particularly its centralised/co-ordinated form, constitutes an essentially redistributive instrument: the more productive workers cross-subsidise the wages of the less productive ones. It’s objective is equality of outcome, and does not make it easy to reward “entrepreneurship and risk taking”, the additional value-added
that such behaviours may generate must be shared with less well paid colleagues. In this respect, collective bargaining is a typical “old-style social democracy” type of measure. But it is strongly entrenched in some European political economies, and supported by citizens.

The third distinctive feature of continental European models of welfare, social insurance, may also constitute an obstacle to the import of Third Way ideas, albeit in a different way. It is the logic of social insurance that entitlement to benefits must be earned through the payment of employment-based social contributions. These tend to be seen like insurance premiums, that open the right to a benefit in the event that the risk against which one is insured, takes place. In this respect, social insurance benefits are not seen as rights without responsibilities: a German unemployment (insurance) benefit recipient may have paid unemployment insurance contributions for several years, and would be regarded as someone who has legitimately earned a right to a benefit. The Third Way’s insistence on “no rights without responsibility” may seem to miss the point, if applied to the German, or French welfare states.

These typically continental European institutions, and the values that they underpin, seem rather incompatible with the prevailing Third Way discourse. At the same time, these institutions seem to be strongly supported in countries like Germany, France or Italy. In this respect, they constitute a serious obstacle to the diffusion of Third Way ideas on the continent. These institutions never really developed in Britain, where “old-style social democracy” focused its efforts on building a largely compensatory welfare state. The free market was broadly accepted as the most efficient instrument for the primary allocation of resources, and state intervention was targeted on the most socially unacceptable outcomes. With the Third way, the “compensatory” role of the state in relation to the market is maintained, essentially by improving access to opportunity goods for those who, if left alone, would not be given a fair chance: hence the emphasis on education, training, child care, tax credits.

In contrast, Continental European welfare states developed less as compensatory mechanisms for market failures, and much more as constraints on the market so that its outcomes be socially acceptable. The state - market relationship in this case is one of clear and legitimate state superiority over the market. This is very clear in the French version of the postwar settlement. In Germany, this market controlling role of the state was (and is) to a substantial extent taken over by the social partners through collective bargaining, though the state strongly supports this institution. In either case, the state may co-operate with the market to deliver socially acceptable outcomes, but it also seeks to transform the logic of the market by forcing rules upon it.

AN EXPERIMENT: THE BLAIR-SCHROEDER PAPER

In June 1999 the British Prime Minister Tony Blair and the German Chancellor Gerhard Schröder jointly published a paper, in both English and German, that was to set out the common innovative political thinking of the two leaders. From our point of view, this paper provides a unique opportunity to test under near-laboratory-like conditions what happens when the same sets of new ideas is put forward in the political discourses of two different countries. Often, national versions of political doctrines are adapted to
national traditions before they are presented to the public. Here, instead, we have a document that has been introduced in national debates in (almost) exactly the same shape. By comparing public reactions in either country, we will be able to assess the degree of compatibility of the ideas expressed to public perceptions in each of the two countries.

Those who wrote the document (not necessarily Blair and Schröder themselves), were obviously aware of the different dominant perceptions among each country’s general public in relation to the themes discussed. That is probably why, the English and the German version of the paper are not exactly identical. The ideas expressed are the same, the two versions usually follow each other in every single word, but there are, here and there, some differences which can be easily related to the different political economy traditions of the two countries referred to above.

Table 5: Selected passages form the German and English versions of the Blair/Schröder paper (in bold type are words that have not been translated in the other version)

<table>
<thead>
<tr>
<th>German version</th>
<th>English version</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Die Politik der Neuen Mitte und des Dritten Weges richtet sich an den Problemen den Menschen aus, di mit dem raschen Wandel der Gesellschaften leben und zurecht commen müssen”</td>
<td>“The Politics of the New Centre and Third Way is about addressing the concerns of people who live and cope with societies undergoing rapid change - both winners and losers”</td>
</tr>
<tr>
<td>“[we favour] …Ein sozialsystem, das Initiative une Kreativität fördert und neue Spielräume öffnet”.</td>
<td>“[we favour] a social security system the opens up new opportunities and encourages initiative, creativity and readiness to take on new challenges”</td>
</tr>
<tr>
<td>“Wir wollen, dass die Gewerkschaften in der Moderner Welt verankert bleiben”. Wir wollen dass sie den einzelnen gegen Willkür schützen und in Kooperation mit den Arbeitgebern den Wandel gestalten und dauerhaften Wohlstand schaffen helfen”</td>
<td>“We support modern unions protecting individuals against arbitrary behaviour, and working in co-operation with employers to manage change and create long term prosperity”</td>
</tr>
<tr>
<td>“In Europa streben wir… ein fortlauenden Dialog mit den sozialpartner an. Das befördert den notwendig ökonomischen Wandel”.</td>
<td>In Europe … we will strive to pursue an ongoing dialog with the social partners that supports, not hinders, necessary economic change”</td>
</tr>
</tbody>
</table>

* Author’s translation: “We want that the trade unions remain embedded in the modern world”.

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Table 5 reproduces selected passages form the paper, taken form the German and form the English versions. In the first line, it is interesting to note that the reference to “both winners and losers” present in the English version, disappears in the German translation. Addressing the concerns of the “winners” may have sounded inappropriate in the context of the German political economy tradition geared toward protecting workers, that does not distinguish so much between winners and losers. In the second line, the English version makes reference to a social security system that “encourages readiness to take on new challenges”. While the exact meaning of this notion is unclear, it can be seen as related to the British “welfare to work” programme, where recipients of unemployment benefits can be obliged to take up training, work, or other socially useful activities. Finally, the third and fourth line report sentences on the role of the trade unions in the Third Wayist vision of society. In the German version, the emphasis on the positive role of the labour movement is much stronger, by stating that they will be anchored in the modern world (third line), and by refraining from suspecting that trade unions may “hinder” economic change (fourth line).

All these differences are easily understandable with reference to the different traditions that Britain and Germany have known in the provision of economic security and in the regulation of work. The trade unions, also because of the important role that they play in regulating the German labour market, are considerably more popular in that country than they are in Britain. This explains the need for the authors of the paper to take a different stance on the unions in the two versions.

It is true that these differences are minimal, in relation to the whole text. However, one should also consider that the paper contains mostly abstract statements that can be associated with different practical situation to suit the requirements of each national context. In spite of this high level of generality, however, in some cases there are differences that can only be explained with reference to the different orientation on a number of socio-economic themes of the German and British publics.

Notwithstanding the abstract level of the paper and the small, but meaningful, differences in the two versions, the paper generated substantially different reactions in the two countries. In Britain, the paper did not attract substantial attention, presumably because the British public had already become accustomed to the new orientation of the Labour party. In the press, the paper came to be seen as an attempt made by Blair to show that Europe was staring to follow the UK’s lead in the adoption of new political ideas, around the concept of the Third Way (The Economist, 12 June 1999). In Germany, by contrast, the jointly authored paper became the subject of a two-week intense political debate, which kept busy even Members of the Bundestag. Generally, the positions were somewhat unusual. The paper was essentially attacked by the left-wing of the SPD, and by the unions. Instead, it received some perhaps unexpected support from employers, and the liberal party FDP, whose leader, Wolfgang Gerhardt, argued that his own party could not have formulated a better critique of traditional social democracy (FDP 1999).

The paper can be seen as an attempt to import a political discourse that is successful in a country, into a different national context, with very little adaptation. The result, has been an overall failure of the new discourse to appeal to the general public and perhaps more crucially, to the median voter. As a matter of fact, in the following months, and until the scandal of the CDU financing broke out, the SPD lost a number of important
regional elections, including in Saarland and Berlin. The inability of the paper to appeal to the German public can be attributed to various factors, but it is difficult to avoid the conclusion that many of the ideas it defended were incompatible with the some of the basic tenets of Germany’s postwar politico-economic model.

CONCLUSION

This paper has tried to show that many of the key values which constitute the Third Way political discourse, at least on politico-economic matters, are at odds with the ethos embodied in the labour market and social protection institutions that exist in most continental European countries, and that are generally widely supported. This contradiction is one of the factors that have persuaded some west European political leaders of the left to abandon the idea of importing a ready made, vote-winning political discourse from the UK, and in this respect helps to explain the observed divergence in post-industrial social democratic political discourse.

This value-based explanation should not be seen as an alternative to the ones reviewed at the beginning of this paper, rather as a complement in a multi-causal explanation. The British political institutions that concentrate power with the Prime Minister and protect a left-wing party moving to the centre from the risk of defection on its left side certainly played an important role. They have facilitated the coherent adoption of economic ideas in the past (neo-liberalism under Thatcher) and they are likely to be doing so in the current phase. Similarly, the problem-based explanation, makes some of the Third Way’s flagship slogans look as if they miss the point, and certainly helps to understand why continental European publics have not shown much enthusiasm for them. The problem-based explanation, however, is not totally unrelated to the one put forward in this paper, as it makes reference to economic and social problems that are related to the different political economy traditions of Britain and Germany/France. The value-based explanation adds a further element to a multi-causal explanation and thus helps us better understand why continental European social-democratic parties, have not embraced the Third Way discourse, in spite of its promise to help them solve the dilemmas they are facing.

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