The Politics of the "Third Way"

The Transformation of Social Democracy in Denmark and the Netherlands

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1. Introduction

After the dominance of conservative and neo-liberal governments in the 1980s and most of the
1990s, social democratic parties have regained government power in most West European
Countries. This has sparked off a lively debate, both in politics and academia, about the current
condition of social democracy in Europe, a debate very much centred on the concept of the
“third way” as theoretically elaborated by Giddens (1998 and 2000) and politically advanced in
the Blair–Schröder paper (1999). The “third way” debate has both a policy and a politics side to
it. The policy side is about the kind of policies that social democratic governments pursue in an
environment that has changed significantly since many social democratic parties were last time
in government in the 1970s. This is most clearly the case in relation to the welfare state. Based
on an analysis of the Danish and Dutch cases, we have thus argued elsewhere (Green-Pedersen,
Van Kersbergen and Hemerijck 2001) that new social democratic policies towards the welfare
constitute a fairly coherent set of supply side policies. A fairly similar argument has been made
about the British case by Glyn and Wood (2001). The aim of this paper is to investigate the
politics side of the “third way”. Which factors have caused social democratic parties to enter
the “third way”? How one can explain different sequences of change (variation between
countries)? The empirical basis for answering these questions is the development of the Danish
and Dutch social democratic parties.

We identify two main factors that have driven the transformation of social democracy
in Denmark and the Netherlands. The first factor concerns the problem of vote-seeking. The
social democratic parties of Denmark and the Netherlands have attempted to dissociate
themselves from the unsuccessful economic and social policies and their harmful effects in the
1970s and early 1980s for which they were largely held responsible. This accorded them the
electorally highly unfavourable image of economic irresponsibility. The modernisation of
ideology and policy-orientation is partly a response to the weakening of the electoral position.

The second factor concerns the office-seeking inclination of both parties. The social
democratic parties in both countries have been highly pragmatic throughout their post-war
history. They have been principally oriented towards participating in government and have
accordingly displayed a substantial willingness to compromise. In particular welfare state
policies always needed the support of bourgeois parties (in Denmark) and Christian democracy
(in the Netherlands), with important consequences for the substance of such policies. In effect,
both parties have frequently changed the means by which they have tried to achieve their goal
of a “social democracy” under such competitive conditions. Still, because the parties had lost
their credibility as responsible economic policymakers, bourgeois governments (Denmark) and
coalitions between Christian democrats and conservative liberals (the Netherlands) had taken over and ruled during the 1980s. It was these governments that introduced austerity policies and broke with what was left of the social democratic, Keynesian heritage of the 1970s. Apart from finding an answer to the credibility problem, a return to government for the social democrats also involved recapturing office from these governments.

The argument of the paper is that the transformation of social democracy in Denmark and the Netherlands in terms of vote- and office-seeking behaviour can best be understood by looking at the political-economic challenges that the parties faced since the 1970s. In the new economic climate emerging in the wake of the two oil crises and the breakdown of the Bretton-Woods system, the possibility of pursuing a traditional Keynesian policy strategy became increasingly difficult. Some version of Keynesianism had provided social democracy throughout Europe, in one version or another, with an attractive political and electoral basis because it constituted a way of combining the welfare state with economic prosperity and therefore avoided the political-economic dilemma. The “third way” course of social democratic parties in Denmark and the Netherlands is a response to the new situation in which the dilemma has resurfaced. The sequence of change, however, has been different in the two countries. The Dutch social democrats took a “third way” course at an earlier stage than their Danish counterpart. This difference in timing is explained by the different strategic situation in terms of office-seeking in which the parties had to operate.

The paper is organized into four further sections. Section 2 discusses different theoretical arguments about the dilemmas and strategies of social democracy and then presents the theoretical approach of the paper. In addition, it states the grounds for comparing Denmark and the Netherlands. Our focus is Kitschelt’s work (1994 and 1999) as it offers both an innovative and a recent analysis of the situation of European social democracy. Section 3 explores the transformation of Dutch social democracy and the following section 4 does the same for Danish social democracy. In the concluding section 5 we try to summarize some lessons from the two cases and discuss the current electoral dilemmas facing the two parties.

2. Theoretical Perspectives on European Social Democracy

No other type of political party has received as much scholarly attention as social democracy. Classical studies dealing with the dilemmas and choices of social democracy include Przeworski (1985), Esping-Andersen (1985b), and Przeworski & Sprague (1986). The most recent classic in the large body of literature on social democracy is Kitschelt’s study (1994 and
1999) of the strategic dilemmas and electoral lot of social democratic parties in Western Europe.

According to Kitschelt, European social democratic parties are facing three dilemmas shaping their strategic action (1999, 322–333). The first dilemma is labelled the “political-economic dilemma”. Social democratic parties have often been voted out of office because they have not embraced economic liberalization policies, and when they embraced such policies when in office they have frequently suffered electoral decline. The second dilemma stems from the emergence of libertarian versus authoritarian politics as a new political cleavage and the entrance into parliament of left-libertarian parties. Social democratic parties must either try to maximize their own vote-share by moving towards a left-libertarian position that will limit the space for left-libertarian parties or try to gain office by winning the median voter, but then giving more space to left libertarian parties. The third dilemma is the party-organizational dilemma. European social democratic parties face a choice between either adhering to a mass party organization with the danger of programmatic immobility or making the party more open to programmatic change but also more difficult to place for the electorate. These three dilemmas are interconnected so that how social democratic parties respond to one dilemma will affect how they respond to the two others. For instance, an inflexible party may have difficulties opting for a vote-maximization strategy in relation to the second dilemma.

Kitschelt’s aim was to explain both the strategic moves of the social democratic parties and their electoral lots. We obviously have no such ambitious aim. Although we do not wish to argue that the emergence of the libertarian-authoritarian cleavage and party organizational developments are entirely unimportant, our study of the Dutch and Danish cases suggests that Kitschelt’s political-economic dilemma is at the heart of what is driving the transformation of European social democracy. Following Kitschelt, we argue that in order to understand the development of European social democracy, one needs to study its strategic environment in terms of the possibilities of vote- and office-seeking. However, we do not agree with Kitschelt that the challenge from left-libertarian parties is what has shaped social democratic office and vote-seeking strategies. The battle over office and votes with traditional parties such as conservative and Christian democratic parties has been decisive.

The political-economic dilemma has to do with the interconnection between economic policy and the welfare state. For a long time, Keynesianism offered a politically auspicious way to combine the expansion of the welfare state with an effective governance of the economy. What was socially just was also economically efficient. During the 1970 and 1980s, however, this formula started to break down. Many governments responded to the economic problems in the wake of the two oil-crises by Keynesian means. Yet, in many cases
they just made things worse. The most prominent example was the Keynesian strategy of the French socialist government in the beginning of the 1980s. This strategy failed and resulted in a U-turn from the government in terms of economic policy. What was just no longer seemed efficient and this provided European social democracy with a major challenge.

It is important to be aware of the nature of this challenge. There is little evidence that the social democratic project of combining justice and economic efficiency had lost its political appeal. In fact, European citizens have in general not become neo-liberals wanting to dismantle the welfare state (Svallfors & Taylor-Gooby 1999, Borre & Scarborough 1995). However, this does not mean that European citizens are uncritical towards the welfare state and are willing to defend it at any cost. Most importantly, European citizens care about economic prosperity, and therefore European governments cannot ignore low growth, high unemployment and inflation if they want to stay in office. This is where many social democratic governments failed in the 1970s and early 1980s. They became associated with fumbling economic policies leading to rapidly rising unemployment, budget deficits, high inflation and other indicators of seemingly bad economic governance. These policy failures were fertile ground for the conservative governments that came into power in the 1980s. As show by several authors (Boix 1998, Iversen 1998 and 2000, Huber & Stephens 1998), the problem of European social democracy was that the changed economic environment undermined the effectiveness of many of the policy measures that before had made it possible for social democratic parties to combine social justice and economic prosperity. The new economic environment perhaps has not made it entirely impossible to combine the two goals, but it has made it significantly more difficult.

The emergence of the political-economic dilemma, of course, varied from country to country. In some countries like Austria and Sweden, social democratic governments were actually able to respond more or less successfully to the economic challenges (Scharpf 1991), whereas other countries such as France did not have a socialist government in the 1970s. However, around 1980, social democratic governments in countries such as Denmark, Britain, the Netherlands, Germany and Norway lost government power after having responded more or less unsuccessfully to the economic challenges. Furthermore, in none of these countries were the social democratic parties able to regain power quickly. In Germany and Britain, it actually took until the end of the 1990s.

As Kitschelt (1994, 1999) stresses, the political-economic dilemma in itself does not determine the strategy of social democratic parties. As the time in opposition went on, the social democratic parties became desperate to regain power. Yet, their possibilities of regaining power depended on their strategic context. Furthermore, when it comes to balancing social justice and economic efficiency, there is a difference between being in government and being in
opposition. It is not until social democratic parties are in government that they face the real hard choices between social justice and economic effectiveness. In our view, the development of “third way” social democracy must be understood as a way to “soften” such hard choices (or their effects).

Based on these considerations, our reasons for studying Denmark and the Netherlands can now be stated. In both countries social democratic parties have faced the political-economic dilemma in the sense that they both became associated with catastrophic macro-economic outcomes in the 1970s and were then forced into opposition for a long time. They were, however, able to regain government power at an earlier stage than, for instance, their German and British counterparts (1989 in the Netherlands and 1993 in Denmark). Thus, in both countries it is possible to observe the reactions of the social democratic parties to the political-economic dilemma once in government. However, their strategic context in terms of office-seeking has varied. In the Dutch case, the pivot system of party-competition forced the Dutch social democratic party into co-operation with the Christian democrats in the mid-1980s. In Denmark, the bloc nature of party-competition implied that in the 1980s, the social democrats’ only realistic chance of regaining office was to achieve a majority with the more left-wing Socialist People’s Party. As will be shown in the next two sections, the difference in strategic situation has strongly influenced the transformation of the two parties.

3. The Transformation of the Danish Social Democratic Party

Historically, the Danish social democratic party has been reform-oriented and focused on political compromising, a strategy related to the fact that the party has never been able to win a majority in the Danish parliament on its own (Christiansen 1994). In the post-war period the party, mainly in collaboration with the social liberals, was in office most of the time and continuously from 1953 to 1968. The major challenge to the party before the 1970s was the entrance in parliament of the Socialist People’s Party (SF) in 1960. Left-wing opposition, in the shape of the Communist Party, had existed before, yet the Socialist Party appealed to a much broader segment of the electorate and quickly gained around 5 per cent of the votes threatening the unity of the Danish left (Logue 1982). The new situation, however, also created new possibilities and in 1966, a social democratic government with support from SF could be formed, known as the red-cabinet. Still, due to internal disagreements within SF the government was unsuccessful, and in the beginning of the 1970s, the strategic situation of the Danish social democrats was becoming more difficult, a development culminating at the 1973 election, known as the “land-slide” election. All the parties represented before the election lost
significantly, and the social democrats lost one third of their seats, gaining the lowest number in
the post-war period (Pedersen 1988).

The land-slide election coincided with the first oil crisis. The Danish economy had been doing well in the 1960, but in the beginning of the 1970s, it was already struggling with a rate of inflation around 8 per cent and a significant current account deficit. These problems were severely aggravated by the first oil crisis (Nannestad 1991). A minority government consisting of only the liberal party took office after the land-slide, hence, in the first place it was not the social democrats that had to cope with the challenges resulting from the oil crisis. However, the liberal government lasted only about a year, after which a social democratic minority government took over. The problems of the Danish economy became the problems of the Danish social democrats, and remained so until 1982. As described by Nannestad (1991, see also Nannestad and Green-Pedersen forthcoming), the social democratic governments tried a number of economic strategies in the 1970s, but none of them really worked and Denmark’s economic situation deteriorated steadily. Especially, after the second oil crisis, the problems mounted and in the beginning of the 1980s, Denmark was “on the brink of the abyss” as the Minister of Finance expressed before stepping down in 1979. Inflation and unemployment were around 10 per cent, growth was negative and both public finance and the current account showed dramatic deficits.

The catastrophic response of the Danish governments to the economic challenges of the 1970s had not just to do with the situation of the social democrats. After the land-slide election, coalition making in the Danish parliament was at times extremely difficult (cf. Green-Pedersen 2001b). However, the situation of the social democrats played an important role. Responding effectively to the economic challenges was difficult for them because it involved an effective income policy. As argued by Scharpf (1991), Austria was, for example, able to respond effectively to the economic challenges because it could sustain a “Keynesian concertation” where wage restraint made an expansive fiscal or monetary policy possible without leading to inflation. Sweden was also able to benefit from a major devaluation in 1982 exactly because wage-restraint could be practised (Hemerijck and Schludi 2000). Unfortunately, wage-restraint was a very troublesome question for the Danish social democrats and the trade unions movement. As argued by Esping-Andersen (1985 a&b), income policy measures in Denmark had always been shaky, and the economic crisis and the land-slide election just exacerbated this. In addition, income policy measures became interwoven with the question of economic democracy.

The discussion about economic democracy had started towards the end of the 1960s. The idea behind the proposals at that time was just as much economic as political. Economic
democracy with wage earner funds could increase savings and make wage-moderation easier (Esping-Andersen 1985b, 302-305). However, when the idea was relaunched in the 1970s it was much more a political project and its focus was on economic democracy with central wage earners funds (Nannestad 1991, 138-141). In the beginning of the 1970s, the expansion of the Danish welfare state had been more or less completed (Petersen 1998) and the social democrats were looking for a new political project. Furthermore, the issue could also be seen as a way for the party to combat the strong left-wing opposition which threatened to decompose the working class (Esping-Andersen 1985b). The idea of economic democracy was in other words part of the social democrat’s attempt to place themselves “clearly to the left of the centre in Danish politics”, as its leader expressed it (Callesen 1996, 16, Dalgaard 1995, 188-236). The proposals for economic democracy were modified somewhat during the 1970s, yet the basic political goal remained the same, and, for instance, the party manifesto adopted in 1977 emphasized the question (Socialdemokratiet 1977, cf. also Dalgaard 1995, 239-252). Unfortunately, the proposal for economic democracy became a stumble block for effective governance of the economy. None of the other political parties supported the proposals, not even the other left-wing parties. Yet, the social democrats and especially the trade unions continued to make the issue a demand for an effective income policy, also despite the fact that the proposal did not have general support among Danish voters (Buksti et al. 1978). The result was a tense relationship between the trade unions and the social democratic party and the steady deterioration of the Danish economy.

In the summer of 1982, the social democratic minority tried again to find political support for a crisis solution, but failed. The prime minister then resigned and handed over government responsibility to the non-socialist government. This event had great symbolic value. The Danish electorate got the impression that the social democrats could not govern the economy and simply gave up, and the image lasted (Andersen 1995).

The social democrats, as did most observers, expected the non-socialist government to be short-lived, yet non-socialist governments stayed in office in Denmark for more than 10 years. For the social democrats, this implied more than 10 years in opposition, the longest period in opposition since the party first gained office in 1924. Not surprisingly, this period was highly problematic for the party in a number of ways. The opposition strategy towards the non-socialist governments was generally uncompromising. After taking office the non-socialist government launched a crisis solution to bring the Danish economy away from “the brink of the abyss”. The social democrats vehemently attacked most elements of this crisis solution (Green-Pedersen 2000). They were only willing to strike deals with the government on socio-economic policies when the deals were clearly social democratic in content (Green-Pedersen 2001a). This
line continued throughout the period, even though the social democrats after the 1990 election became somewhat more oriented towards compromising with the non-socialist governments. Thus, despite the social democrats moving somewhat away from the left-oriented line of the 1970s, the party did not embark on any “third way” course during the years in opposition.

The strategy of the social democrats can be explained as a rational office-seeking strategy (see Green-Pedersen 2000, chap. 9). The non-socialist government came to power in 1982 because the social liberals changed side in the Danish parliament and thus tipped the balance in favour of the non-socialist parties. One way in which the social democrats could regain power was thus to accommodate the social liberals by choosing a centrist strategy and hope that the social liberals would reward them by changing side again. However, it was not until after the 1990 election that this strategy became attractive. From 1984 to 1987, the social liberals co-operated closely with the non-socialist government, and from 1988 to 1990 they participated in it. Thus, it was unrealistic that a centrist course from the social democrats could bring them back into office. After 1990, this strategy became more interesting as the social liberals loosened their ties with the major non-socialist parties, the conservatives and the liberals and eventually, the social liberals changed side again bringing the social democrats back into power. Until at least after the 1990 election, the social democrats had only one realistic way of regaining office, namely to gain a majority with SF, as had been the case from 1966 to 1968 and from 1971 to 1973. Judging from opinion polls, this strategy was not unrealistic. In order to succeed, the social democrats need not to move too far away from SF, as a centrist course would have implied. Furthermore, the party needed to gain some additional votes. For instance, opposing cuts in social security was a promising way to achieve this.

Summing up, the period in opposition was painful and frustrating for the Danish social democrats. Considering themselves the natural government party in Denmark, ten years in opposition was close to a disaster. The frustration culminated in the spring of 1992, when the party elected a new leader after a process that comes close to a coup. In 1993, the party finally regained power. After a scandal case, the three small centre parties in Danish politics, the social liberals, the Centre Democrats, and the Christian People’s Party, withdrew their support for the conservative/liberal government and formed a government with the social democrats.

With the ten years in opposition in mind, holding on to government power has of course been crucial for the Danish social democrats. Both the Centre Democrats and the Christian People’s Party have stepped out of the government, but with support from the other left-wing parties, the social democrats and social liberals have managed to hold on to power. What had been clear to the Danish social democrats is that in order to hold on to power, they had to manage the economy much better than they did in the 1970s. They had to remove the
image of being unable to govern the economy, and this constitutes the key to their socio-economic policies. The social democratic led governments have for instance implemented several labour markets reforms also involving significant retrenchment of unemployment benefits, and a major retrenchment of the early-retirement scheme agreed on in 1998 (Green-Pedersen, Van Kersbergen and Hemerijck 2001).

Choosing this “third way” course has, however, caused troubles for the party both internally and in relation to the electorate. Internally, a division between a part of the party known as the “traditionalists” and another part known as the “renewers” has emerged. This division was visible in connection with the retrenchment of the early retirement scheme, which caused a fierce debate within the party, but has also surfaced in connection with the question of contracting out of social services. At several occasions, groups of leading social democrats have argued that the party should take a more pragmatic stand towards the question causing a strong debate about the ideological foundation of the party (Callesen 1996). For instance, the leadership of the party has tried twice to pursue the party organization to adopt a more pragmatic attitude towards contracting out of social services, but has been defeated both times (Green-Pedersen 2001b). The leadership of the party has also been in conflict with parts of the trade union movement, especially the trade unions for semi-skilled workers, which has strongly supported the traditionalists. At the same time, the formal ties with the trade union movement have been loosened.

In relation to the electorate it is especially the period after 1998 that has been troublesome for the Danish social democrats. At the 1994 election the party lost slightly, but this was compared to the very high level of support at the 1990 election. Before the 1998 election opinion polls showed that the party would lose further, but the party actually managed to gain votes and hold on to government power. Part of the reason for this was that the party managed to turn the election campaign into a traditional battle for or against the welfare state. One of the ways the party achieved this was by attacking the right-wing parties for wanting to retrench the early-retirement scheme and emphasizing that the social democrats would not touch upon the scheme. Yet, half a year later, they retrenched the scheme significantly, and the electorate reacted vehemently, not so much to the content of the reform, but to the betrayal of earlier promises. Thus, since then opinion polls have showed that the would only gain around 25 per cent of the votes, the same level as at the land-slide election (Andersen 1999a).

Besides the early-retirement story, the explanation for the electoral problems of the social democrats should be found in the increased role that “new politics” issues have come to play in Danish politics. The problem for the social democrats is that the electorate has come to see them as too “left” on issues such as refugees and immigrants and law and order, and this
has caused traditional social democratic voters to defect to especially the xenophobic Danish People’s Party (Andersen 1999b). The social democrats have tried to combat this partly by trying to keep such question off the agenda and partly by accommodating the position of its electorate. This strategy was fairly successful at the 1998 election (Andersen, Johannses 1999), but the new politics issues are still highly problematic for the Danish social democrats.

4. The Transformation of the Dutch Social Democratic Party

Like the Danish party, the social democratic party of the Netherlands, the Partij van de Arbeid, has been reform-oriented and focused on political compromising. In fact, the PvdA unwillingly became one of the crucial actors in the “politics of accommodation” game (Lijphart), that is to say the elite strategy aimed at finding a workable compromise between the socially and culturally relatively separated religious and non-religious segments of society (the social and political system known as pillarization). Interestingly enough, however, the history of Dutch social democracy can be grouped around three major attempts to overcome the politics of accommodation and political minutiae that went with it, such as the dominance of religiously inspired politics, the centripetal elite behaviour and the pivot position of, first, the Catholic party and, later (after 1977), the Christian democratic party.

The first attempt to put an end to pillarized politics occurred immediately after the Second World War, when the social democrats tried to “break through” the traditional party cleavages of pre-war society. The main driving force behind the new Dutch People’s Movement (Nederlandse Volksbeweging, NVB) consisted of the elite of the former socialist party that sought to transform itself through the NVB into a broader people’s party that was broader in its electoral appeal than the pre-war socialist party had been. In addition, the strive for renewal was backed by left wing liberals and Catholic groups united around an unequivocal longing for unity of the Dutch people. The cement of this blend of miscellaneous political currents was found in a new set of ideological concepts, labelled “personalist socialism”, which was an odd mixture of socialist, liberal, and corporatist conceptions, generally inspired by the doctrines of socialism, humanism and Christianity. This became the gist of the political ideology of Dutch social democracy. The mix of etatist and social-corporatist in its ideology and party manifesto’s was an important weapon in the electoral struggle with the Catholic party, its main competitor, over the Catholic workers’ vote. Office-seeking, however, implied that immediately after the elections, the PvdA always had to seek rapprochement with the Catholic party as this party was the pivot of the party system and the decisive power in coalition formation.
Electorally, the “breakthrough” movement of the mid-1940s was only a partial success. It was a failure in the sense that the pre-war political and social system of pillarization was restored in very much its traditional outlook. The three main achievements of the “breakthrough”, however, involved the foundation of the “personalist socialist” social democratic party, the modernization of the catholic party, according it a moderate reformist disposition, and the construction of a government coalition between these two parties made possible by this double ideological innovation. This so-called “Roman–red” coalition established the foundation of a qualitative change in ideas and practices of macroeconomic policymaking in the Netherlands.

The main achievements of the PvdA’s governmental period until 1958 were the reconstruction of the Dutch economy and society after the Nazi occupation; the introduction of a strict policy to control wages and prices (the guided wage policy); and the foundation of the welfare state, partly by way of a compensation for low wages. This policy was to stimulate exports, profits and full employment by keeping wages down.

The Dutch social democrats were therefore fairly successful in their office-seeking behaviour. In the party’s political ideology a statist conception of social and economic planning was more and more emphasized at the cost of social corporatism and this eventually brought the party into a conflict with the Catholic party. The fate of the Roman–red coalition was sealed when the guided wage policy became a victim of its own success as it generated near full employment by the mid-1950s. The favourable economic conditions of the late 1950s created such a tight labour market that employers had already started to pay higher wages than those that were strictly permitted by law. The main reason for the collapse of the coalition between Catholicism and social democracy was that the latter consistently refused to give up wage policy as the last bastion of social democratic interventionism, while the former had started giving in on the demands of the employers and their representatives within the party to ease political control over wages and prices. The PvdA lost the battle and remained in opposition from 1958 until 1973, with a one year intermezzo in 1965/1966. By that time, wages had exploded leading to a sharp increase in labour saving investments and consequently to massive lay-offs. As a result, by the end of the 1960s and early 1970s unemployment was already rising.

The statist planning ideology of the social democrats in opposition remained dominant roughly until the mid-1960s. By that time a younger generation, known as “New Left” (Nieuw Links), was taking over and influenced the party’s views considerably, particularly with regard to postmaterialist values and democratization. Nieuw Links also pushed for a more critical perspective on foreign policy (Vietnam, NATO, American policies in general). The prosperity of the Dutch economy in the 1960s and the initially gradual, but in the
end quite sudden structural changes of society in the form of depillarization and
deconfessionalization helped to provide a more structural background for the ideological
offensive that came to characterize Dutch social democracy in the late 1960s. In fact, these
processes also explain why the Catholic party was forced to adopt more radical views on social
policy in order not to lose its labour wing and the votes of Catholic workers altogether to the
PvdA. It also clarifies why some factions within the Catholic party were in favour of a return of
the Roman–Red coalition that had governed the Netherlands in the 1950s.

A second attempt to put an end to pillarized politics occurred in the late 1960s when
the party, under influence of the New Left faction as well new left-liberal competitor (D66) that
was specifically founded to “blow up” the system of pillarized politics, changed its vote- and
office-seeking strategy and adopted the so-called polarization strategy. The party’s strategists
argued that they would be able to kill three birds with one stone. The polarization strategy, first
of all, aimed at luring the progressive voters away from the confessional camp, especially from
the Catholic party. Secondly, it also tried to provide an answer to the electoral challenge that
new, post-pillarization parties such as D66 implied. Third, the polarization strategy was meant
to fragment the powerful Christian democratic centre and put an end to the Catholic pivot
position by seeking new forms of co-operation with other leftist parties. The strategy had three
important, partly unintended effects: first, it succeeded in tapping a new electoral source
consisting of depillarized voter groups; second, it facilitated the construction of a new
parliamentary basis for a government in which the social democrats prevailed numerically and
politically, even though they were still dependent on the support of the Catholic party (The Den
Uyl government 1973–1977); third, it unintentionally gave momentum to the re-grouping and
concentration of protestant and catholic political forces which, in turn, led to the foundation of
the United Christian democratic party in 1977. This party that was able to take over the pivot
position of the former Catholic party and re-established itself as a formidable electoral
competitor of the PvdA in the 1980s.

The Den Uyl government had a fragile parliamentary base as it was merely
“tolerated” by the Catholic party. Nevertheless, the government was capable of expanding
specific parts of the welfare state. However, the more radical changes it was seeking to
implement, such as income redistribution, public housing policy, profit sharing, time and again
were blocked by the majority voting alliances of conservative liberals and the Christian
democratic parties. These alliances finally sealed the downfall of the government in 1977.

Growing tensions between the Catholics and the PvdA and successful experiments
with cross-confessional co-operation at the local level prepared the way for the first joint
Christian democratic list for the elections of 1977. In spite of the poor economic record of the
Den Uyl government – unemployment steadily increased, inflation reached double digits in 1975 and the budget surplus turned into a deficit in 1974 – and thanks to political polarization and the handling of political violence by the social democratic prime minister during the electoral campaign, the PvdA won an additional 10 seats in parliament (33.8 per cent). However, contrary to expectations the new Christian democratic alliance managed to stabilize its electoral strength. A combination of social democratic strategic errors and Christian democratic power play led to the exclusion of the PvdA from the government. The Christian democrats entered a coalition with the conservative liberals. Especially the conservative liberals stressed time and again that their task in government was to put a halt to the spendthrift of the social democrats and to manage the economy properly. When after the electoral loss in 1981 (28.3 per cent) the PvdA entered a coalition with the Christian democrats, the latter demanded that the social democrats took responsibility for retrenching the welfare state and agreed to austerity policies. The PvdA’s social policy proposals (e.g. the retrenchment of the sickness insurance) quickly caused a conflict with the labour movement. In addition, the party rank-and-file protested sharply against the politics of austerity of the government and demanded Keynesian demand management in order to stimulate employment growth. The failure of the social democrats to find support in government and parliament for extra spending brought down the already unstable coalition. This, however, strongly added to the spendthrift image of social democracy and turned the PvdA an unreliable coalition partner in the eyes of the Christian democrats. The conservative liberals blamed the social democrats for their inability to bid farewell to the political style of the 1970s and their unwillingness to change course in economic policy and to collaborate constructively in the attempt to restructure the Dutch economy and welfare state.

The ideological cleavage between the PvdA and its main competitors remained considerable throughout the 1980s and primarily concerned the view on how to reform the welfare state (austerity) and govern the economy, although it also involved defence policy, particularly the deployment of American nuclear missiles on Dutch territory. In 1977 the PvdA had adopted a new party manifesto, which was somewhere midway between a codification of its ideology of the early 1970s, an electoral declaration for the near future, and a rhetorical adoption of the radicalization of the era and its new issues of feminism and the environment. The catchwords of the ideology during the 1970s and the first half of the 1980s were unmistakably “equality” and “polarization”, which already had been the key ideological concepts of the Den Uyl coalition. “Polarization” remained the basic strategy until the mid-1980s, while “equality” has characterized the party’s ideology at least until 1990. Formally, the 1977 manifesto is still in force, even though it was considered obsolete quickly after it was
accepted. The 1980s was characterized by a search to reformulate the ideological principles and come to terms with the loss of government power.

At the elections of 1986 the PvdA managed to win 33.3 per cent or 52 seats (of the 150 in the Second Chamber), mainly as a result of a successful mobilization of popular discontent with the conservative government’s austerity policies. However, the electoral victory became a defeat disguised as victory as the party was unable to enter a government coalition. This combination of success in vote-seeking but failure in office-seeking forced the party elite and activists to reorient themselves, particularly with respect to their conservative (i.e. anti-reformist) welfare statism. An influential elite faction started to accept the need for fiscal responsibility, particularly as a means to regain power. In addition, a change in the party’s leadership enabled the strategically necessary moderation of the polarized style of political opposition in order to prepare the party internally and externally for office. This was challenged by the more traditionalist labour wing and since the mid-1980s a continuous struggle between the traditionalist rank-and-file and the power-oriented modernizers has characterized intra-party relations. Electorally, the new office-seeking strategy of the party elite had unfavourable consequences as the party lost the support from its radical wing to its left competitors. At the same time, the party managed to become a more acceptable coalition partner and closed a deal with the Christian democrats who argued that they needed the social democrats for welfare state reform. The PvdA re-entered the government in 1989.

In a more than symbolic attempt to prove that social democrats can be prudent spenders too, the social democratic party leader became the minister of Finance responsible for the reduction of the budget deficit. Obviously, this could not be achieved without cutting back on social spending. In 1991 the PvdA decided to approach the problem of the disability scheme which had got out of hand. Originally meant to support no more than around 200,000 people, the scheme was paying over 900,000 benefits in 1990. The proposal to reform the scheme was highly controversial and politically risky. The PvdA was internally divided over the proposed measures, one faction adhering to the traditional welfare state and another more willing to seek new solutions, including market options (e.g. private insurance). Party leader Wim Kok almost fell over the disability issue, and the party’s representatives in parliament remained ambiguous towards the reform. The costs were high for the party as the PvdA experienced a haemorrhage of its membership. Not surprisingly, the governmental period was electorally costly too. The social democrats were held responsible for what the union members among the voters in particular interpreted as an attack on established rights. The party did not recover in time and at the elections of 1994 it was punished with a historic defeat. It won only 24 per cent of the vote or 37 seats.
In spite of the defeat in and thanks to an even bigger electoral loss of the Christian democrats, however, the PvdA became the largest party in parliament and therefore secured the initiative in forming a new government. The government that was formed was a coalition of conservative liberals, radical democrats and social democrats and excluded, for the first time in history, the Christian democrats. The formation of this so-called “purple” government has broken the pivot position of the Christian democrats and fundamentally changed the political game in the Netherlands. However, this historically radical change was mainly the accidental result of the elections which made every single majoritarian coalition dependent on the support of the junior partner D66 and this party simply refused to govern with the Christian democrats.

Still, these developments freed the PvdA from the necessity to emphasize a traditional social policy profile that always had been strongly oriented towards possible compromises with the Christian democrats and prepared the way for innovation along the lines that we now recognize as proto-“third way” politics. For instance, the influence of the “new” PvdA is clearly discernible in the government’s policy profile that emphasizes employment growth and the maximalization of labour market participation. In stark contrast to the “old” PvdA that – with an eye to the Christian democrats – had always tended to promote generous yet passive social policies (benefits and other transfer payments), the “new” social democrats have started to promote active labour market policies at the expense of passive transfer spending and have welcomed market solutions as possible alternatives to both corporatist and etatist policy mixes. In fact, the conservative liberals and a significant number of social democrats, albeit for different reasons, have come to favour market solutions and privatization in social security and marketization in other areas such as health care.

The combination of these two political actors and the exchange this fosters indicates a new political consensus which is based on a redefinition of the relation between state, market and family in the pursuit of welfare according to a social–liberal formula that also underlies the present social–liberal coalition (1998–). This formula mixes traditional social democratic ideas such as justice and equality with neo-liberal elements such as the market and individualization. The PvdA’s original ideological position of statist social and economic planning as well as the party’s emphasis on radical income equality have disappeared.

In social and economic terms, the PvdA now very much looks like a social democratic party that still stresses social justice and solidarity as its main values, but has lost its faith in the state as an omnipotent political agent and accepts the market as an efficient allocator of scarce resources, even if this means accepting a slightly higher degree of inequality. Equality is increasingly defined in equal opportunities on the labour market. Interestingly, the change in
policies has paid electorally as the party – after two electoral defeats in a row – won 8 seats at the elections of 1998 and now commands a total of 45 seats in Parliament. Currently, a green-left party is partly occupying the space to the left of the PvdA, but its competitive potential is moderated by its office-seeking orientation. A traditionalist socialist party is successfully competing for the votes at the extreme left of the political spectrum, but as this space is small, the socialist party remains small. The main competitor, Christian democracy, is still recovering from the blow of 1994, both electorally and organizationally, as the party has had great difficulties with its transformation from the dominant party to just one party in the political system.

The struggle between modernizers and traditionalists within the party reached a climax when in 1992 the chairmanship was divided between an agent of the union wing and a representative of the professional modernizers. The latter, Felix Rottenberg, attempted to transform the traditional membership organization into a professional campaign party by dismantling the local branches and the party council through which members could exercise power over the professional party elite. Rottenberg also managed to alter radically the list of candidates for the 1994 elections. As a result a significant group of atypical, more liberal oriented representatives of the party entered parliament. This group has been instrumental in forging the coalition with the conservative liberals and through them the “third way” has established itself firmly at the level of the party elite. Since Rottenberg’s illness in 1997, the party rank-and-file and the traditionalists have attempted to recover ground. In fact, the dominant theme of the recent campaign for the chairmanship (2000/2001) was the restoration of the membership party at the cost of the influence of the professional party elite. The new chairman is a moderate traditionalist and the struggle between the proponents of the “third way” and the traditionalists continuous.

Concluding Remarks: The Dilemmas of the “Third Way”

Besides the political-economic dilemma, Kitschelt (1994 and 1999) studied two other dilemmas shaping the strategic situation of social democratic parties in Europe. In our view, the emergence of libertarian versus authoritarian politics as a new political cleavage and the party-organizational dilemma have been less relevant for the development of Dutch and Danish social democracy than the political-economic dilemma. First of all, the traditional left–right scale is still dominant in both countries. In Danish politics it is primarily in the 1990s that new politics issues have become really important, except for the environment, while in the Netherlands the new politics initially was almost entirely overdetermined by the anti-pillarization polarization of the 1970s. The Dutch Green-Left party is now a formidable competitor on the left, but it is the anti-pillarization party D66 that suffers the most of this. In addition, the Green-Left,
following the German example, has left its exclusive vote-seeking orientation and has started to stress its willingness to govern. As a result, it has lost some of its bite as a competitor of the social democrats.

Second, the challenges that the “new political cleavage” pose to the social democrats are different from what Kitschelt suggests. We do not think that the challenge stems from the shift in the electorate in the direction of a more right-wing oriented position on old politics and a more left-wing oriented position on new politics. This, in any case, is not the case in the Danish and Dutch electorates. The group of voters who are right-wing on the old politics and left-wing on the new politics is approximately 11 per cent of the Danish electorate in 1998, while the voters who are left-wing on the old politics, but right-wing on the new politics, constitute 31 per cent. Although we do not have comparable date on the Netherlands, it seems to us that is the latter group in particular that is causing the social democrats the most trouble (Borre 1999).

With regard to the party-organizational dilemma, the “third way” course indeed has caused a predicament within both the Danish and Dutch social democratic parties. This comes at a time when both parties are struggling over a modernization of their party organizations after a strong decline in party membership during the last 30 years. However, in none of the two cases has the party-organization been able to block the “third way” course.

In sum, it has primarily been the political-economic dilemma that has shaped the transformation of the Danish and Dutch social democrats. The impossibilities of meeting the economic challenges posed by the two oil crises by Keynesian means forced the social democrats into the “third way” because in the long run they could not survive with an image of being unable to govern the economy. Yet, the transformation process of the Danish and Dutch social democrats has differed due their different possibilities of regaining office. To some extent, the traditional welfare state project has not lost its political appeal and voters seem willing to punish social democratic parties if they feel that the they betray their traditional values. This is one of the dangers of the “third way”. Governing the economy does not require a dismantling of the welfare state, but at times it does require, for instance, welfare state retrenchment. The difficulty for the social democrats is how to implement such measures without damaging the image of being the true protector of the welfare state. It seems even more difficult to convince the voters that a thorough reconstruction of the passive, transfer-oriented social policy institutions may be necessary in order to safeguard an efficient economy and a just yet affordable welfare state. In order for the welfare state to survive, it must be transformed. It is on the solution of this paradox that the success of modern social democracy has come to depend.
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